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## LEGISLATIVE HISTORY

Public Law 86-74

H. R. 7749

## TABLE OF CONTENTS

Index and summary of H. R. 7749.....	1
Digest of Public Law 86-74.....	2



## INDEX AND SUMMARY OF H. R. 7749

- June 16, 1959 House Committee on Ways and Means reported H. R. 7749, an original bill, without amendment. House Report 556. Print of bill & report.
- June 17, 1959 Rules Committee reported a resolution for consideration of H. R. 7749. House Resolution 300 and House Report 559. Print of resolution and report.
- June 19, 1959 House passed H. R. 7749 without amendment.
- June 25, 1959 Senate Committee on Finance reported H. R. 7749 without amendment. Senate Report 432. Print of bill and report.
- Senate passed H. R. 7749 without amendment.
- June 30, 1959 Approved: Public Law 86-74.



DIGEST OF PUBLIC LAW 86-74

INCREASE IN PUBLIC DEBT LIMIT. Increases the permanent public debt limit from \$283 billion to \$285 billion, and increases the temporary public debt limit for the fiscal year beginning July 1, 1959, an additional \$10 billion (to \$295 billion).







# Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF  
BUDGET AND FINANCE

(For Department  
Staff Only)

## CONTENTS

Issued June 17, 1959  
For actions of June 16, 1959  
86th-1st, No. 99

Appropriations.....	7,8
Budget.....	17,23
Conservation.....	22
Contracts.....	11
Disaster relief.....	1
Economic conditions.....	18
Electrification.....	25
Family farms.....	34
Farm labor.....	15
Farm program.....	21
Feed and seed.....	1
Flood control.....	26
Foreign affairs.....	28
Foreign aid.....	2,20,27
Forestry.....	30
Interest rates.....	19
Lands.....	30
Minerals.....	12

Mutual security....	2,20,27
Personnel.....	35
Postal service.....	16
Poultry.....	34
Price supports.....	3
Public debt.....	6,31
Reclamation.....	5,12,24,32
Research.....	4,9
Small business.....	33
Surplus food.....	21
Taxation.....	14
Transportation.....	10,29
Watersheds.....	13
Wheat.....	3

**HIGHLIGHTS:** House subcommittee voted to report bill to require State contributions to feed and seed costs in disaster areas. House debated mutual security authorization bill. Senate committee reported Commerce appropriation bill. Rep. Brown, Mo., introduced and discussed bill to provide emergency relief to family farm poultry and egg producers.

## HOUSE

- 1. DISASTER RELIEF.** The Livestock and Feed Grains Subcommittee of the Agriculture Committee voted to report to the full committee with amendment H. R. 6861, to provide for a specific contribution by State governments to the cost of feed or seed furnished to farmers, ranchers, or stockmen in disaster areas. p. D485
- 2. MUTUAL SECURITY.** Concluded general debate on H. R. 7500, to extend the mutual security program. pp. 9862-9906
- 3. WHEAT.** The "Daily Digest" states that "Conferees met in executive session to resolve the differences between the Senate- and House-passed versions of S. 1968, to strengthen the wheat marketing quota and price support program, but did not reach final agreement, and will meet again tomorrow." p. D486
- 4. RESEARCH.** The Agriculture Committee reported with amendment H. R. 6436, to amend the Federal Insecticide, Fungicide, and Rodenticide Act so as to include nematocides, plant regulators, defoliants, and desiccants (H. Rept. 552). p. 9916

5. RECLAMATION. The Interior and Insular Affairs Committee reported with amendment H. R. 968, to provide for the construction by Interior of the Bully Creek Dam and other facilities, Vale Federal reclamation project, Ore. (H. Rept. 553). p. 9916

6. PUBLIC DEBT. The Ways and Means Committee reported without amendment H. R. 7749, to provide for an increase in the public debt limit (H. Rept. 556). p. 9916

Rep. Zelenko criticized the administration proposal to increase the public debt limit and the interest rates on Government bonds as "inflationary," and urged a "freeze of commercial interest rates on mortgages and loans for a period of at least 5 years." pp. 9909-10

#### SENATE

7. DEFENSE APPROPRIATION BILL FOR 1960. The Appropriations Committee reported with amendments this bill, H. R. 7349 (S. Rept. 397). p. 9922

8. LEGISLATIVE APPROPRIATION BILL FOR 1960. The Appropriations Committee reported with amendments this bill, H. R. 7453 (S. Rept. 398). p. 9922

9. RESEARCH. Sen. Neuberger stated that "the need to provide Federal funds adequate to insure development of new methods for producing better crops more efficiently and protecting existing strains from disease and natural hazard has been strongly impressed upon me," expressed satisfaction concerning Senate action on ARS appropriations, made reference to soil and water conservation research recommendations submitted by USDA, and inserted several items on the subject. pp. 9960-2

Received from this Department a report on the State Agricultural Experiment Stations, 1958. p. 9919

10. TRANSPORTATION. The Interstate and Foreign Commerce Committee reported with amendments S. 1509, to amend the Interstate Commerce Act to provide "grandfather" rights (preference rights for carriers in operation in the past) for certain motor carriers and freight forwarders operating in interstate or foreign commerce within Alaska and between Alaska and the other States and for certain water carriers operating within Alaska (S. Rept. 399). p. 9922

11. CONTRACTS. The Finance Committee voted to report (but did not actually report) with amendments H. R. 7086, to extend the Renegotiation Act of 1951. p. D484

12. RECLAMATION; MINERALS. The Interior and Insular Affairs Committee voted to report (but did not actually report) with amendments two bills: S. 281, authorizing construction of a regulating reservoir at the Burns Creek site in the Upper Snake River Valley, Idaho; and S. 1285, to provide for the development of the domestic fluorspar industry, including barter under Public Law 480. p. D484

13. WATERSHEDS. Received from the Ohio Legislature a resolution urging Congress to take action to assure the continuance of surveys and planning of flood prevent<sup>ion</sup> and water and soil conservation projects in Ohio, and to make funds available to SCS and other agencies for this purpose. p. 9920

14. PAYMENTS IN LIEU OF TAXES. Received from the Maryland Senate and House resolutions urging favorable action on S. 910, to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property and to create a Board to study this problem. pp. 9920-1

## PUBLIC DEBT ACT OF 1959

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JUNE 16, 1959.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

Mr. MILLS, from the Committee on Ways and Means, submitted the following

### R E P O R T

[To accompany H.R. 7749]

The Committee on Ways and Means, to whom was referred the bill (H.R. 7749) to increase the amount of obligations issued under the Second Liberty Bond Act which may be outstanding at any one time, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

### SUMMARY

The bill provides that the existing permanent debt limit be raised from \$283 billion to \$285 billion and, in addition, provides for a temporary increase, for the fiscal period beginning on July 1, 1959, and ending on June 30, 1960, of \$10 billion. Thus, the overall debt limit for this period will be the \$295 billion, of which \$10 billion will be temporary.

Historical material on the debt limit is contained in table 2. In addition, chart 1 shows the movements of the Federal debt with reference to the regular and temporary debt limitations from 1956 through May 1959.

### GENERAL STATEMENT

The President has requested that the limit on the amount of obligations issued under the Second Liberty Bond Act, as amended, which may be outstanding at any one time be revised in two respects: (1) he has requested that the permanent limit be increased to \$288 billion, and (2) he has requested an additional temporary increase, for the period ending June 30, 1960, of \$7 billion. Thus, the Secretary of the Treasury requested an overall ceiling, for the fiscal year 1960, of \$295 billion. This is identical with the overall ceiling provided by your committee's bill for this period.

Your committee again expresses its concern both as to the necessity for once more increasing the permanent debt limit over the present statutory limit of \$283 billion and as to the necessity for again providing an additional temporary increase. Your committee, however, believes it necessary, in view of the current and anticipated fiscal conditions outlined by the Secretary in his statement (portions of which are quoted below) to provide for increases in the debt limit.

Your committee does not believe it desirable, however, to provide a permanent ceiling of \$288 billion as the administration requested. Your committee believes it more appropriate to increase the permanent ceiling to \$285 billion, in view of the fact that the Secretary has stated that the public debt subject to limit is expected to be approximately \$285 billion on June 30, 1959, and that the outlook for the fiscal year 1960 is for a level of budget receipts sufficient to cover budget expenditures. (In this connection, your committee concurs in the statement made by the Secretary of the Treasury to the effect that a specific dollar ceiling on the public debt is important in focusing congressional and public attention on the problems of sound Government finance.) However, a higher debt ceiling for the fiscal year 1960 appears necessary because the debt subject to limit at the beginning of the period is estimated at \$285 billion whereas during the first 6 months of the fiscal year 1960 budget receipts will be substantially less (by approximately \$6 billion) than budget expenditures. (In the following 6 months this pattern will be reversed.) The increase in the permanent ceiling from \$283 billion to \$285 billion, together with the \$10 billion temporary increase, will result in an overall ceiling of \$295 billion which, as pointed out in the statements made by the Secretary of the Treasury quoted below and as shown by table 1, will enable the Treasury to continue its debt operations with a margin to allow for flexibility in debt management operations and contingencies over the coming year.

During the course of the public hearings on the Treasury request to increase the debt limit, your committee received several proposals the object of which was to provide a system of automatic debt retirement. Your committee was sympathetic with the object of these proposals but did not believe that an automatic program for debt retirement would be effective for two reasons. In the first place, the amount, if any, of net debt retirement in any year depends upon the excess of budgetary receipts over budgetary expenditures. If there is a surplus, there will be debt reduction. If there is a deficit, there will necessarily be an increase in the public debt. An automatic debt retirement provision does not alter the fact that debt cannot be reduced when there is no surplus. Furthermore, it is recognized by your committee that the Congress will only be able to reduce the level of the public debt in relatively prosperous years. In times of recession Congress may be more concerned with restoring income and employment than in avoiding a deficit.

While your committee is not proposing an automatic schedule of debt reduction, we do believe that in years of relatively full employment the Government should handle its budgetary decisions in such a way as to produce a surplus and to provide some debt reduction.

Excerpts From Statement Made by the Secretary of the Treasury, Robert B. Anderson, Before the House Ways and Means Committee on June 10, 1959

The existence of a restrictive debt limit plays an important part in our struggle for fiscal soundness. \* \* \* I believe a specific dollar ceiling on the public debt serves a useful purpose and can be effective in focusing attention in a unique way on the part of the executive departments, the Congress, and the public to the problems of sound Government finance. Such a limit should be restrictive enough to accomplish this purpose, yet not so rigid as to impede the normal operations of the Treasury. The debt limit changes the President has requested meet this test.

\* \* \* \* \*

On June 30, 1957, after 2 fiscal years of budget surpluses aggregating more than \$3 billion, the public debt subject to the statutory debt limitation was \$270.2 billion. However, as a result of the recession in late 1957 through early 1958, the Treasury incurred a budget deficit of \$2.8 billion in the fiscal year 1958 and will incur a budget deficit of almost \$13 billion during the year that will end on June 30, 1959, based on the President's January budget estimates.

The financing of these budget deficits is now expected to bring the public debt subject to limit to approximately \$285 billion on June 30, 1959—\$2 billion over the present regular ceiling. As a result the President is proposing an increase in the regular statutory limit to \$288 billion, an increase equal to the \$275 billion debt limit in effect at the beginning of the fiscal year plus the estimated deficit for the current year.

This will enable the Treasury to conduct its debt operations with a margin of \$3 billion to allow for flexibility in debt management operations and contingencies. \* \* \*

#### OUR DEBT PROJECTIONS FOR FISCAL 1960

\* \* \* \* \*

We expect \* \* \* that even with a balance between expenditures and receipts for the fiscal year as a whole expenditures will exceed receipts by approximately \$6 billion during the July-December half of the year. The July-December 1959 deficit will be only slightly more than half of the \$11 billion deficit in July-December 1958. At intermediate points, such as December 15 and January 15, the cumulative deficit—and, therefore, borrowing needs—will reach or exceed \$7 billion. That is why the President has requested a temporary debt ceiling of \$295 billion. We are asking that this temporary limit be provided only through June 30, 1960, although a valid case can be made for a provision that would, for a longer period of time, control the debt at fiscal yearends and yet provide for seasonal requirements within the year. It is entirely appropriate for the Congress to review the debt limit situation each year, however, if it so desires.

TABLE 1.—*Forecast of public debt outstanding, fiscal year 1960, based on constant operating cash balance \$3.5 billion (excluding free gold)*

[Based on 1960 Budget document]

[In billions]

	Operating balance, Federal Reserve banks and depositories (excluding free gold)	Public debt subject to limitation	Allowance to provide flexibility in financing and for contingencies	Total public debt limitation indicated		Operating balance, Federal Reserve banks and depositories (excluding free gold)	Public debt subject to limitation	Allowance to provide flexibility in financing and for contingencies	Total public debt limitation indicated
<i>1959</i>					<i>1960</i>				
July 15	\$3.5	\$287.1	\$3.0	\$290.1	Jan. 15	\$3.5	\$292.6	\$3.0	\$295.6
July 31	3.5	287.6	3.0	290.6	Jan. 31	3.5	290.9	3.0	293.9
Aug. 15	3.5	287.5	3.0	290.5	Feb. 15	3.5	291.7	3.0	294.7
Aug. 31	3.5	288.9	3.0	291.9	Feb. 29	3.5	289.8	3.0	292.8
Sept. 15	3.5	290.8	3.0	293.8	Mar. 15	3.5	291.3	3.0	294.3
Sept. 30	3.5	286.7	3.0	289.7	Mar. 31	3.5	286.1	3.0	289.1
Oct. 15	3.5	289.7	3.0	292.7	Apr. 15	3.5	288.9	3.0	291.9
Oct. 31	3.5	290.0	3.0	293.0	Apr. 30	3.5	288.3	3.0	291.3
Nov. 15	3.5	292.5	3.0	295.5	May 15	3.5	289.3	3.0	292.3
Nov. 30	3.5	290.6	3.0	293.6	May 31	3.5	288.3	3.0	291.3
Dec. 15	3.5	293.5	3.0	296.5	June 15	3.5	290.6	3.0	293.6
Dec. 31	3.5	290.2	3.0	293.2	June 30	3.5	284.4	3.0	287.4

NOTE.—When the 15th of a month falls on Saturday or Sunday, the figures relate to the following business day.

Source: U.S. Treasury Department.

TABLE 2.—*Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended*

Act	History of legislation	Amount
	1917	
Sept. 24, 1917-----	Sec. 1 (40 Stat. 288) authorized bonds in the amount of-----	<sup>1</sup> \$7, 538, 945, 400
	Sec. 5 (40 Stat. 290) authorized certificates of indebtedness outstanding (revolving authority)-----	<sup>2</sup> 4, 000, 000, 000
	1918	
Apr. 4, 1918-----	Amending sec. 1 (40 Stat. 502) increased bond authority to-----	<sup>1</sup> 12, 000, 000, 000
	Amending sec. 5 (40 Stat. 504) increased authority for certificates outstanding to-----	<sup>2</sup> 8, 000, 000, 000
July 9, 1918-----	Amending sec. 1 (40 Stat. 844) increased bond authority to-----	<sup>1</sup> 20, 000, 000, 000
	1919	
Mar. 3, 1919-----	Amending sec. 5 (40 Stat. 1311) increased authority for certificates outstanding to-----	<sup>2</sup> 10, 000, 000, 000
	New sec. 18 added (40 Stat. 1309) authorized notes in the amount of-----	<sup>1</sup> 7, 000, 000, 000
	1921	
Nov. 23, 1921-----	Amending sec. 18 (42 Stat. 321) increased note authority to outstanding (establishing revolving authority)-----	<sup>2</sup> 7, 500, 000, 000
	1929	
June 17, 1929-----	Amending sec. 5 (46 Stat. 19) authorized Treasury bills in lieu of certificates of indebtedness, no change in limitation for the outstanding-----	<sup>2</sup> 10, 000, 000, 000

See footnotes at end of table, p. 6.

TABLE 2.—*Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended—*  
Continued

Act	History of legislation	Amount
	1931	
Mar. 3, 1931-----	Amending sec. 1 (46 Stat. 1506) increased bond authority to-----	<sup>1</sup> \$28,000,000,000
	1934	
Jan. 30, 1934-----	Amending sec. 18 (48 Stat. 343) increased authority for notes outstanding to-----	<sup>2</sup> 10,000,000,000
	1935	
Feb. 4, 1935-----	Amending sec. 1 (49 Stat. 20) limited bonds outstanding, establishing revolving authority to-----	<sup>2</sup> 25,000,00,0000
	New sec. 21 added (49 Stat. 21) consolidated authority for certificates and bills (sec. 5) and authority for notes (sec. 18); same aggregate amount outstanding-----	<sup>2</sup> 20,000,000,000
	New section 22 added (49 Stat. 21) authorized U.S. savings bonds within authority of sec. 1.	
	1938	
May 26, 1938-----	Amending secs. 1 and 21 (52 Stat. 447) consolidated in sec. 21, authority for bonds, certificates of indebtedness, Treasury bills and notes (outstanding bonds limited to \$30,000,000,000); same aggregate total outstanding-----	<sup>2</sup> 45,000,000,000
	1939	
July 20, 1939 (53 Stat. 1071)----	Amending sec. 21 removed limitation on bonds without change total authorized outstanding of bonds, certificates of indebtedness, Treasury bills and notes-----	<sup>2</sup> 45,000,000,000
	1940	
June 25, 1940 (54 Stat. 526)-----	Sec. 302, sec. 21 of the Second Liberty Bond Act, as amended, is hereby further amended by inserting "(a)" after "21," and by adding at the end of such section a new paragraph as follows: "(h) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by sections 5 and 18 of this Act, as amended, not to exceed in the aggregate \$4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under section 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor, any such obligations so issued shall be designated 'National Defense Series'."-----	<sup>2</sup> 4,000,000,000
	1941	
Feb. 19, 1941 (55 Stat. 7)-----	Amending sec. 21 to read: "Provided, That the face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$65,000,000,000 outstanding at any one time." Eliminates separate authority for \$4,000,000,000 of National Defense Series obligations-----	<sup>2</sup> 65,000,000,000
	1942	
Mar. 28, 1942 (56 Stat. 189)-----	Amending sec. 21, increasing limitation to \$125,000,000,000-----	<sup>2</sup> 125,000,000,000

See footnotes at end of table, p. 6.

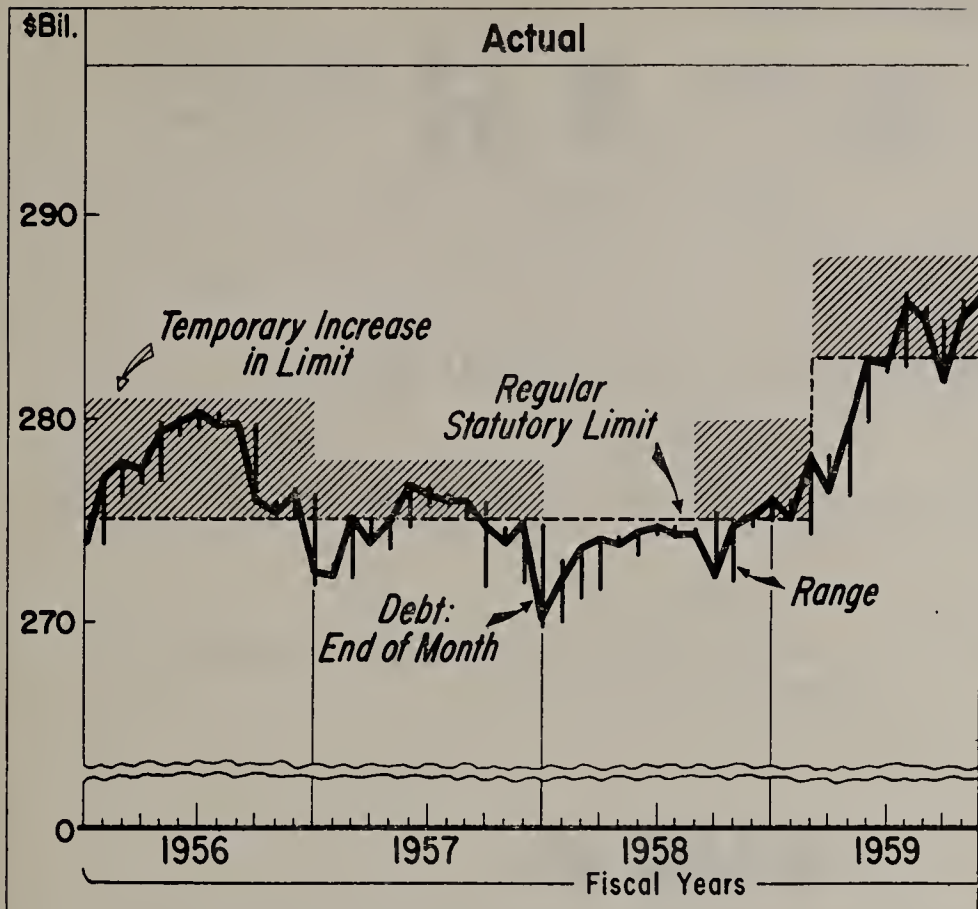
TABLE 2.—*Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended—*  
Continued

Act	History of legislation	Amount
	1943	
Apr. 10, 1943 (57 Stat. 63)-----	Amending sec. 21, increasing limitation to \$210,000,- 000,000-----	<sup>2</sup> \$210,000,000,000
	1944	
June 9, 1944 (58 Stat. 272)-----	Amending sec. 21, increasing limitation to \$260,000,- 000,000-----	<sup>2</sup> 260,000,000,000
	1945	
Apr. 3, 1945 (59 Stat. 47)-----	Amending sec. 21 to read: "The face amount of obli- gations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (ex- cept such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate \$300,000,000,000 outstanding at any one time."-----	<sup>2</sup> 300,000,000,000
	1946	
June 26, 1946 (60 Stat. 316)-----	Amending sec. 21, decreasing limitation to \$275,- 000,000,000 and adding, "the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation"-----	<sup>2</sup> 275,000,000,000
	1954	
Aug. 28, 1954 (68 Stat. 895)-----	Amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by \$6,000,000,000 to-----	<sup>2</sup> 281,000,000,000
	1955	
June 30, 1955 (69 Stat. 241)-----	Amending Aug. 28, 1954, act, by extending until June 30, 1956, increase in limitation to-----	<sup>2</sup> 281,000,000,000
	1956	
July 9, 1956 (70 Stat. 519)-----	Amending act of Aug. 28, 1954, temporarily increas- ing limitation by \$3,000,000,000, for period begin- ning on July 1, 1956, and ending on June 30, 1957, to-----	<sup>2</sup> 278,000,000,000
	1957	
Feb. 26, 1958 (72 Stat. 27)-----	Effective July 1, 1957; temporary increase terminates and limitation reverts, under act of June 26, 1946, to-----	<sup>2</sup> 275,000,000,000
	1958	
	Amending sec. 21, effective January 1958, and end- ing June 30, 1959, temporarily increasing limita- tion by \$5,000,000,000 to-----	<sup>2</sup> 280,000,000,000
	1959	
Sept. 2, 1958 (72 Stat 1758)-----	Amending sec. 21 to raise permanent ceiling to-----	<sup>2</sup> 283,000,000,000
	1958-59	
	Continuing \$5,000,000,000 temporary addition from act of Feb. 26, 1958, providing a limitation through June 30, 1959, of-----	<sup>2</sup> 288,000,000,000

<sup>1</sup> Limitation on issue.<sup>2</sup> Limitation on outstanding.<sup>3</sup> Limitation on issues less retirements.

Source: Treasury Department.

CHART 1.—MONTHLY RANGE OF PUBLIC DEBT SUBJECT TO LIMIT



## CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

**SECTION 21 OF THE SECOND LIBERTY BOND ACT, AS AMENDED**  
(31 U.S.C., sec. 757b)

SEC. The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate **[\$283,000,000,000]** *\$285,000,000,000* outstanding at any one time. The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation.



86TH CONGRESS  
1ST SESSION

# H. R. 7749

[Report No. 556]

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 16, 1959

Mr. MILLS introduced the following bill; which was referred to the Committee on Ways and Means

JUNE 16, 1959

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

---

## A BILL

To increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the first sentence of section 21 of the Second Liberty  
4       Bond Act, as amended (31 U.S.C., sec. 757b), is amended  
5       to read as follows: "The face amount of obligations issued  
6       under authority of this Act, and the face amount of obliga-  
7       tions guaranteed as to principal and interest by the United  
8       States (except such guaranteed obligations as may be held  
9       by the Secretary of the Treasury), shall not exceed in the  
10      aggregate \$285,000,000,000 outstanding at any one time."

1 SEC. 2. During the period beginning on July 1, 1959,  
 2 and ending on June 30, 1960, the public debt limit set forth  
 3 in the first sentence of section 21 of the Second Liberty Bond  
 4 Act, as amended, shall be temporarily increased by \$10,-  
 5 000,000,000.

6 SEC. 3. This Act may be cited as the "Public Debt Act  
 7 of 1959".

Union Calendar No. 213

86TH CONGRESS  
 1ST SESSION

**H. R. 7749**

[Report No. 556]

## A BILL

To increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

By Mr. MULLS

JUNE 16, 1959

Referred to the Committee on Ways and Means

JUNE 16, 1959

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed





June 17, 1959

7. LEGISLATIVE BRANCH APPROPRIATION BILL, 1960. Began and concluded debate on this bill, H. R. 7453. pp. 10090-93
8. INTERIOR APPROPRIATION BILL, 1960. Sen. Hayden inserted a tabulation on this bill, H. R. 5915, "giving the appropriations for the current year, the budget estimates for 1960, the House allowance, the Senate allowance, and the conference allowance for each appropriation in the bill," and stated that the tabulation on the bill appearing in the Record of Mon., June 15, "is incorrect." pp. 10031-3
9. TRANSPORTATION. The Interstate and Foreign Commerce Committee voted to report (but did not actually report) the following bills: S. 1789, without amendment, to insure the adequacy of the national railroad freight-car supply; S. 1508, with amendments, to provide for economic regulation of the Alaska railroad under the interstate Commerce Act. p. D490
10. VETERANS. The Subcommittee on Veterans' Affairs of the Labor and Public Welfare Committee voted to report to the full committee without amendment S. 1138, to provide for readjustment assistance to veterans who serve in the Armed Forces, including payments for courses in on-farm training, between Jan. 31, 1955 and July 1, 1963. p. D491
11. LEGISLATIVE PROGRAM. The "Daily Digest" states that votes will be taken on passage of H. R. 7453, the legislative appropriation bill, and H. R. 7349, the Commerce appropriation bill on Thurs., June 18. p. D489

HOUSE

12. WHEAT. Received the conference report on S. 1968, the wheat bill (H. Rept. 560) (pp. 10010-12, 10019). See Senate items above for a summary of the conference substitute bill and action of the Senate on the report.
13. MUTUAL SECURITY. Considered amendments to H. R. 7500, to extend the mutual security program (pp. 9984-10010). Rejected, 56 to 94, an amendment by Rep. Dowdy to prohibit any appropriations authorized by the bill which would increase the public debt (pp. 9987-90). Rejected, 56 to 94, an amendment by Rep. Flynt to "require a balanced budget before the provisions of the pending legislation could become effective" (pp. 9990-91).
14. HOUSING. Concurred in the Senate amendment to H. R. 2256, to authorize \$100 million additional funds for direct veterans' loans in rural areas, and to increase the ceiling on interest rates from 4-3/4 to 5-1/4 percent (pp. 9973-6). This bill will now be sent to the President.
15. BUDGET. Rep. Zelenko commended the New York World-Telegram and the Scripps Howard newspapers in their "meritorious campaign urging citizens to communicate with their Representatives and Senators to alert them against wasteful appropriations ..."
16. PUBLIC BUILDINGS. The Public Works Committee reported with amendment H. R. 7645, to provide additional authority to GSA for the construction, alteration, and acquisition of public buildings of the Federal Government (H. Rept. 557). p. 10019
17. PUBLIC DEBT. The Rules Committee reported a resolution for consideration of H. R. 7749, to increase the public debt limit. p. 10019

18. WATERSHEDS. A subcommittee of the Public Works Committee approved "watershed projects in Georgia and Illinois." p. D493
19. LEGISLATIVE PROGRAM. Rep. McCormack announced that the House would consider Thurs., June 18, H. R. 7749 to increase the public debt limit, and, if the message is received from the Senate, the wheat conference report (S. 1968); and next week, H. R. 3, to establish rules of interpretation concerning the effects of acts of Congress on state laws.

ITEMS IN APPENDIX

20. FORESTRY; RECREATION. Extension of remarks of Sen. Neuberger commending and inserting an article, "National Parks Promised Rescue By Mission 66." pp. A5182-3  
Sen. Neuberger inserted an address by Francis W. Sargent describing the progress being made by the Outdoor Recreation Resources Review Commission. pp. A5199-200
21. MUTUAL SECURITY. Extension of remarks of Sen. Dodd inserting an article, "Foreign Aid For Our Friends But Not For Our Enemies," and stating that the article "is concerned with the inconsistencies of our foreign-aid program." p. A5185-6  
Extension of remarks of Rep. Barr favoring U. S. participation in a "joint movement" with the rest of the free world but stating that "I will not vote to saddle this Nation with a perpetual obligation to develop and to protect the world single-handedly." p. A5238
22. HEALTH; PERSONNEL. Extension of remarks of Sen. Humphrey inserting his recent speech stressing the need for health research programs and favoring proposed legislation to provide a health insurance program for Federal employees. pp. A5197-9
23. FARM PROGRAM. Rep. Latta inserted the results of an opinion poll which included questions on price support and soil bank programs. p. A5204
24. INTERGOVERNMENTAL RELATIONS. Extension of remarks of Rep. Loser inserting Judge Briley's testimony before the Senate Government Operations Committee favoring the establishment of a permanent Advisory Commission on Intergovernmental Relations. pp. A5209-10
25. WATER POLLUTION. Rep. Dingell inserted an editorial favoring H. R. 3610, to amend the Federal Water Pollution Control Act. p. A5223
26. ELECTRIFICATION. Rep. Utt inserted an Electrical Workers Local AFL-CIO article setting forth their favorable position on the partnership development of the power resources of the Trinity division of the Central Valley project. pp. A5234-5

BILLS INTRODUCED

27. SURPLUS PROPERTY. S. 2198, by Sen. Allott (for himself and Sen. Langer), and H. R. 7776, by Rep. Jarman, to amend the Federal Property and Administrative Service Act of 1949; to Government Operations Committees. Remarks of Sen. Allott. pp. 10027-8
28. MINERALS. H. R. 7785, by Rep. Morris of N. Mex., to authorize the granting of mineral rights to certain homestead patentees who were wrongfully deprived of such rights; to Interior and Insular Affairs Committee

## CONSIDERATION OF H.R. 7749

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JUNE 17, 1959.—Referred to the House Calendar and ordered to be printed

---

Mr. SMITH of Virginia, from the Committee on Rules, submitted  
the following

### REPORT

[To accompany H. Res. 300]

The Committee on Rules, having had under consideration House Resolution 300, report the same to the House with the recommendation that the resolution do pass.

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# REPORT

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## House Calendar No. 97

86TH CONGRESS  
1ST SESSION

# H. RES. 300

[Report No. 559]

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### IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1959

Mr. SMITH of Virginia, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

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## RESOLUTION

1       *Resolved*, That upon the adoption of this resolution it  
2 shall be in order to move that the House resolve itself into  
3 the Committee of the Whole House on the State of the Union  
4 for the consideration of the bill (H.R. 7749) to increase the  
5 amount of obligations, issued under the Second Liberty Bond  
6 Act, which may be outstanding at any one time, and all  
7 points of order against said bill are hereby waived. That  
8 after general debate, which shall be confined to the bill, and  
9 continue not to exceed three hours, to be equally divided  
10 and controlled by the chairman and ranking minority mem-  
11 ber of the Committee on Ways and Means, the bill shall be  
12 considered as having been read for amendment. No amend-

1 ment shall be in order to said bill except amendments offered  
2 by direction of the Committee on Ways and Means. Amend-  
3 ments offered by direction of the Committee on Ways and  
4 Means may be offered to any section of the bill at the con-  
5 clusion of the general debate, but said amendments shall not  
6 be subject to amendment. At the conclusion of the con-  
7 sideration of the bill for amendment, the Committee shall rise  
8 and report the bill to the House with such amendments as  
9 may have been adopted, and the previous question shall be  
10 considered as ordered on the bill and amendments thereto to  
11 final passage without intervening motion, except one motion  
12 to recommit.

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[Report No. 559]

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# RESOLUTION

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Providing for the consideration of H.R. 7749,  
a bill to increase the amount of obligations,  
issued under the Second Liberty Bond Act,  
which may be outstanding at any one time.

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By Mr. SMITH of Virginia

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JUNE 17, 1959

Referred to the House Calendar and ordered to be  
printed





# Digest of CONGRESSIONAL PROCEEDINGS

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF  
BUDGET AND FINANCE

(For Department  
Staff Only)

### CONTENTS

Issued June 22, 1959  
For actions of June 19, 1959  
86th-1st, No. 102

Adjournment.....	7		
Appropriations.....	8		
Area redevelopment.....	12		
Dairy.....	20		
Eggs.....	21		
Electrification.....	9,19		
Farm labor.....	2		
Fiscal policy.....	16		
Foreign trade.....	23		
Forestry.....	3		
Housing.....	2,6		
Indians.....	13		
Lands.....	3,5		
Legislative program.....	6		
Loans.....	2		
Milk.....	20		
Minerals.....	5		
Minimum wage.....	18		
Nominations.....	11		
Patents.....	17		
Poultry.....	21		
Public debt.....	1,16,24		
Research.....	2,17		
State laws.....	6		
Storage bins.....	15		
Tariffs.....	25		
Trade agreements.....	23		
Transportation.....	4		
Virgin Islands.....	22		
Watersheds.....	10		
Wheat.....	14		

HIGHLIGHTS: House passed bill to increase public debt limit. House received conference report on housing bill. Senate subcommittee voted to report Labor-HEW and State-Justice appropriation bills.

### HOUSE

1. PUBLIC DEBT. Passed, 225 to 117, without amendment H. R. 7749, to increase the permanent ceiling on the public debt from \$283 billion to \$285 billion, and to increase the temporary ceiling from \$288 billion to \$295 billion (pp. 10295-326). Rejected, 24 to 127, a motion by Rep. Mason to recommit the bill to the Ways and Means Committee (p. 10325).
2. HOUSING. Received the conference report on S. 57, the housing bill for 1959 (H. Rept. 566) (pp. 10295, 10333-47, 10348). As reported the bill extends the farm housing research program for 2 years and authorizes the appropriation of a total of \$100,000 for the 2-year period for this purpose, and authorizes MHFA to undertake a comprehensive study of the housing needs of migratory farm workers. The conferees eliminated a provision contained in the bill as passed by the House which would have established a program under which the Secretary of Agriculture would insure loans made by private lenders to farmers, associations of farmers, and county governments to provide housing and related structures for migratory farm labor.
3. FORESTRY. The Interior and Insular Affairs Committee reported with amendment H. R. 3682, to permit the processing of certain applications under the Small

Tracts Act for lands included in the Caribou and Targhee National Forests (H. Rept. 564). p. 10348

4. TRANSPORTATION. A subcommittee of the Merchant Marine and Fisheries Committee voted to report to the full committee: H. R. 5068, with amendment, to provide for the licensing of independent foreign freight forwarders, and H. R. 5067, to repeal sec. 217 of the Merchant Marine Act of 1936, which authorizes the Department of Commerce to coordinate foreign trade activities of Federal agencies and private firms. p. D506
5. MINERALS; LANDS. Rep. Thomson urged enactment of his bill, H. R. 7787, to amend the Mineral Leasing Act so as to correct the situation whereby the "Department of Interior has undertaken to cancel oil and gas leases issued under the Act ... on public lands on the grounds that someone had at one time held these leases, whose holding, including the leases in question, exceeded the acreage which any person, association, or corporation can hold in any one State." p. 10327
6. LEGISLATIVE PROGRAM. Rep. Albert announced the following legislative program: Mon., June 22: H. R. 3, to establish rules of interpretation governing questions of the effect of acts of Congress on State laws; Tues: Private Calendar and for remainder of the week: conference report on S. 57, the housing bill. p. 10326
7. ADJOURNED until Mon., June 22. p. 10348

SENATE

8. APPROPRIATIONS. Subcommittees of the Appropriations Committee voted to report to the full committee H. R. 6769, the Labor-HEW appropriation bill for 1960, and H. R. 7343, the State-Justice appropriation bill for 1960. p. D504
9. ELECTRIFICATION. The Public Works Committee voted to report with amendments (but did not actually report) H. R. 3460, to amend the TVA Act of 1933 so as to provide for the issuance of revenue bonds by TVA to finance additions to its power system. pp. D504-5
10. WATERSHEDS. The Public Works Committee approved the following watershed projects: Sulphur Creek, Tex., Brule Creek, S. Dak., Frye Creek, Ariz., Shoal Creek, Ill., Big Blue Creek, Ill., and Tobesofkee Creek, Ga. p. D505
11. NOMINATIONS. The Public Works Committee approved the nomination of Brooks Hays to be a member of the Board of Directors of the TVA. p. D505

ITEMS IN APPENDIX

12. AREA REDEVELOPMENT. Rep. Lane inserted a textile union resolution favoring enactment of area redevelopment legislation. p. A5300
13. INDIANS. Rep. Berry urged adoption of his bill, H. R. 7701, operation bootstrap for Indians. pp. A5303-4
14. WHEAT. Rep. Allen inserted an editorial, "Just More Controls," discussing the wheat legislation now being considered by Congress. p. A5303  
Extension of remarks by Rep. Schwengel criticizing the original conference report on the wheat bill and urging the drafting of a new wheat bill to "give the farmer more freedom, reduce production, and holding down storage costs." p. A5309-10



# Congressional Record

United States  
of America

PROCEEDINGS AND DEBATES OF THE 86<sup>th</sup> CONGRESS, FIRST SESSION

Vol. 105

WASHINGTON, FRIDAY, JUNE 19, 1959

No. 102

## Senate

The Senate was not in session today. Its next meeting will be held on Monday, June 22, 1959, at 12 o'clock meridian.

## House of Representatives

FRIDAY, JUNE 19, 1959

The House met at 12 o'clock noon.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Psalm 62: 8: *Trust in Him at all times.*  
Eternal God, who art always manifesting Thy grace and mercy unto us, may we be truly grateful for our many material and spiritual blessings.

Help us to covet and cultivate more eagerly those longings and aspirations which Thou dost delight to satisfy.

May all who are guiding the Ship of State embody and exemplify that noble kind of patriotism which seeks, in personal character and public service, to preserve and perpetuate the good name of our beloved country.

Inspire us to labor faithfully and pray fervently for the coming of that better day when men everywhere shall be brought into a right relationship with Thee and their fellow men.

Hear us in Christ's name. Amen.

### THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

### HOUSING BILL

Mr. RAINS. Mr. Speaker, I ask unanimous consent that the Committee on Banking and Currency may have until midnight tonight to file a conference report on S. 57.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. HALLECK. Mr. Speaker, reserving the right to object, and of course I shall not object, I would like to have some information, if we might have it. This is the conference report on the housing bill, I take it.

Mr. RAINS. That is correct.

Mr. HALLECK. As to when it might come on the floor for action.

The SPEAKER. On Tuesday next.

Mr. HALLECK. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

### CORRECTION OF VOTE

Mr. BUDGE. Mr. Speaker, on roll-call No. 87, I am recorded as absent. I was present and answered to my name. I ask unanimous consent that the Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Idaho?

There was no objection.

### COMMITTEE ON THE JUDICIARY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that all subcommittees of the Committee on the Judiciary may be permitted to sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

### PUBLIC DEBT ACT OF 1959

Mr. SMITH of Virginia. Mr. Speaker, I call up House Resolution 300 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

*Resolved*, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 7749) to increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time, and all points of order against said bill are hereby waived. That after general debate, which

shall be confined to the bill, and continue not to exceed three hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit.

Mr. SMITH of Virginia. Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN]; and pending that I yield myself such time as I may consume.

Mr. Speaker, this is a rule making in order a bill from the Committee on Ways and Means to increase the debt limit. The rule provides for 3 hours of general debate and as usual in matters of this kind it is a closed rule.

It is a bill that I regret to have to bring to the House but nevertheless it is a necessary thing in view of the fact that we are facing a deficit of about \$12 billion, and the debt limit has to be raised.

Mr. Speaker, I do not care to use any further time on the rule.

Mr. ALLEN. Mr. Speaker, I am certain I need not mention that this is a most distasteful bill, but it would be even more distasteful if we had bills presented to the U.S. Treasury Department which were returned marked "No funds available." I think that would show a financial irresponsibility upon the part of the Congress of the United States. We cannot afford that. We cannot afford to

have bills returned marked "No funds available" whether the bills are for veterans' benefits, bills to pay the interest on our national debt, bills to pay farm subsidies or to pay disabled veterans' widows and orphans. So I say, while it is extremely distasteful, I think the only thing we can do is to discharge our responsibility.

When I came to Congress, 28 years ago, the national debt was \$22 billion. This bill raises it to \$295 billion. The only way out, as I see it, is to cut out all these extravagant and reckless spending schemes that seem to be coming before the Congress continually.

So I say in conclusion, Mr. Speaker, that I am supporting this bill. In my opinion, under the present deplorable circumstances, the debt limit must be raised.

Mr. SMITH of Virginia. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

#### CALL OF THE HOUSE

Mr. GROSS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 93]

Barden	Dorn, S.C.	Moore
Barry	Fallon	Morrison
Bass, N.H.	Farbstein	O'Hara, Mich.
Boland	Fino	Powell
Bonner	Hagen	Rabaut
Bow	Healey	Rostenkowski
Bowles	Jackson	Santangelo
Boykin	Kliwan	Shelley
Buckley	Kluczynski	Spence
Bush	Loser	Staggers
Canfield	McSween	Teague, Tex.
Celler	Macdonald	Teller
Coad	Mack, Ill.	Tuck
Cohelan	Mack, Wash.	Westland
Cook	Mailliard	Willis
Cramer	May	Wilson
Davis, Tenn.	Meador	Withrow
Diggs	Meyer	Zelenko
Dollinger	Michel	

The SPEAKER. On this rollcall 378 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

#### COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

Mr. HARRIS. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce may have permission to sit during general debate this afternoon.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

#### PUBLIC DEBT ACT OF 1959

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 7749) to increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 7749, with Mr. ANFUSO in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. MILLS. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, the bill, H.R. 7749, pending before the committee, deals with the statutory limit on the authority of the Treasury to issue notes, bills, and other obligations constituting the debt of the Federal Government, with particular application to the fiscal year 1960.

The bill is reported by the overwhelming vote of the Committee on Ways and Means. Although there was no record vote on reporting the bill by the committee, I think it can be said that there was perhaps only one vote in the committee against the reporting of the bill.

My colleague, the ranking Republican member of the committee, the gentleman from Pennsylvania [Mr. SIMPSON], joined me in introducing this legislation reflecting the will of the Committee on Ways and Means.

The bill itself, Mr. Chairman, raises the overall ceiling on the issuance of public obligations by the Treasury, which are provided for by the Second Liberty Bond Act, as amended, to \$295 billion. The present ceiling on the public debt is \$288 billion, voted by Congress last year; \$5 billion of that \$288 billion is temporary in nature, and the authority for it expires on this June 30. The permanent debt ceiling under existing law is \$283 billion. This bill raises the permanent ceiling from \$283 billion to \$285 billion and allows for this coming fiscal year, until June 30, 1960, additional temporary authority of \$10 billion, making the total \$295 billion. The total is in line with the request of the President in his message of June 8 that we increase the debt ceiling, in total, to \$295 billion.

The President asked that we raise the permanent debt ceiling from \$283 billion to \$288 billion and provide for \$7 billion of temporary debt for the fiscal year 1960. The committee reached the conclusion, after very careful consideration and following public hearings on the matter, that it could justify to the House an increase in the public debt to \$285 billion but did not feel it necessary to take the step of recommending to the House a permanent ceiling of \$288 billion.

Our reasoning I think is quite simple and can be very plainly stated. The actual debt itself on June 30, 1959, will approximate \$285 billion. On the basis of projections that are now being used it would appear that the debt on June 30,

1960, will approximate \$285 billion. The President's request for a permanent debt ceiling of \$288 was based upon this same forecast of a debt at the end of the fiscal year 1960 of \$285 billion plus an allowance of \$3 billion for contingencies. Under the circumstances, the committee felt it was better for the permanent debt itself to be held to the figure of \$285 billion rather than to make it \$288 billion so as to include in the permanent debt ceiling the \$3 billion that the Secretary of the Treasury wanted for contingency purposes. So we have carried that \$3 billion over into the temporary amount of \$10 billion. In addition we permit \$7 billion more in the temporary debt because, during the first 6 months of the fiscal year 1960 our collection of taxes is largely concentrated between January and June. It is anticipated that we will go an additional \$7 billion in debt, because of the general practice of spending more in the first 6 months of the fiscal year than is normally received in that part of the fiscal year. I must point out that that is a seasonal situation.

We decided in the committee to recommend to you that we consider these contingencies and the seasonal operations in the temporary side of the debt rather than putting it into the permanent ceiling. I think there is a great deal to be said for what the committee has done. We have dealt with this as factually and as realistically as we can. We are not putting the Treasury in the position of having more obligations outstanding on June 30, 1960, as we view the situation today, than they will have authority to have outstanding at that time. If we continued the \$283 billion as the permanent ceiling, and we know that there will be \$285 billion of debt outstanding at that time, June 30, 1960, we will be called upon to act again. Whether that is a valid reason or not, we thought in this instance that we could avoid the need for any concern.

Why do we have this bill before the House today? I may point out that it is in line with the predictions we made last year that we would have it here. Last year when we brought in debt ceiling bills, we were not making provision at that time for whatever deficit might develop in the fiscal year 1959. This bill does make provision for the deficit that has developed in the present fiscal year. Without this authority, the Secretary of the Treasury will find himself during the fiscal year 1960 without the capacity and the ability to pay certain obligations of the Government that are now in process of being voted by the Congress either at the request of the administration or by the decision of the Congress. I think the most ridiculous thing that we can permit to happen here in the United States is for the Secretary of the Treasury to have to issue I O U's. There was a period when the then incumbent of the position of Secretary of the Treasury was so tightly squeezed between the debt ceiling and the actual debt, that he had to ask people in the fall of 1957, as I recall, not to present bills. Of course, he could have had the Congress come

back into session through a call by the President. It is not a good situation to put the Secretary of the Treasury in the position of being threatened with the possibility of not being able to pay bills when they come due.

The \$13 billion of deficit for the fiscal year 1959 results from two things. First of all, we had a very decided drop in revenues, as all of us know, of approximately \$7½ billion in the fiscal year 1959 under our original estimates. This is because we were in a business downturn—for whatever reason that might have occurred. Second, our expenditures in 1959 rose above the previous year by about \$5½ billion. We were making efforts last year at this time to try to get out of the downturn of economic activity. I think we can be encouraged today by the fact, for whatever reason has caused it, that we are definitely turning now on the upswing. The result in all probability will be that our estimates of revenues, that we are presently considering as good for the fiscal year 1960, will prove too low; and that they will be greater even in the course of the fiscal year than we now predict.

If we look to the situation over a period of years, we find complete justification at this moment in taking the position that we will not consider all of this deficit of 1959 as a permanent addition to the debt. We will look to the opportunity over the fiscal years immediately ahead, just as we have been able to do in the past, of finding such surpluses of revenues over expenditures as will enable us to reduce some of this \$295 billion debt and, I hope, to bring it back, certainly to \$285 billion. If the opportunities are good, perhaps, we may even be able to bring it below that. Now, I do not look with a great deal of pessimism, I might say, on the possibilities that may exist over the next few years of being able to do that. But let us keep our house in order so that we can do it through elimination of the temporary ceiling without now forcing upon our people the thought that we have despaired of any hope or opportunity in the immediate future of taking care of any of this deficit that arose in fiscal year 1959. Of course, we would have liked to have prevented the deficit which developed in 1959, but we do not know what the economic situation would have been had we not taken the course which was followed. I urge the House to approve the bill, as it is.

The Members of the House are aware that the President's request for this debt ceiling increase was accompanied by a request for legislation to remove the limitation on interest rates for bonds with a term of over 5 years. The Committee on Ways and Means is aware of the serious issues involved in this matter and is giving intensive consideration to it in executive session. In the interests of expediting action on the debt limit which must be completed by June 30, we decided to bring this bill to you separately. We have not made up our own minds on the interest rate issue and we are going to continue to explore it with the Treasury Department and the Federal Reserve Board.

Mr. Chairman, I will take only 1 more minute because I want to talk about some of the comments that have come to my attention this morning, to the effect that "I would like to be able, Mr. Chairman, to vote against this bill, because I would like to indicate my enthusiasm for economy." A vote against this bill today, if I may trespass upon the example of my friend the gentleman from Florida [Mr. HERLONG], is like knocking the gage off of the boiler. The gage does not have anything to do except to indicate the pressures that are building up within the boiler. If the pressures do not diminish with respect to the boiler, the boiler may explode whether you knock the gage off or not. If you vote against this provision, to me it is comparable to taking a position as thinking you are eliminating the pressure on the boiler by merely knocking the gage off of it.

I hope that my friends on both sides of the aisle will not feel that a vote against this can be interpreted in any quarter with any degree of reasonableness as being a vote for economy. We are now in the process of paying the piper for what has already happened, good or bad. We do not save anything by putting the Treasury of the United States into the position of not being able to pay the bills that are coming due; and, actually, I do not know what would happen if the Treasury could not pay its bills.

One statement was made this morning that it might affect veterans' payments; one might well inquire, is there any assurance that it does not affect the ability of the United States to defend itself if we do not go along with the authority that is contained in this bill?

I urge the adoption of the bill by the Committee.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield myself 10 minutes.

(Mr. SIMPSON of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I endorse the statements made by the distinguished chairman of the Ways and Means Committee and join with him in urging the unanimous support by the membership of the House for H.R. 7749, authorizing an increase in the Federal debt ceiling.

The chairman has stated plainly and clearly the principal issues at stake in this matter. This is basically a question of whether or not the credit of the United States is to be maintained, or, putting it another way, whether or not the debts of the United States are to be paid. To use expressions familiar in your family and in my family, it is a question of are we going to pay the bills that are coming in for the services, for the goods that we have bought or contemplate buying in the next year? If we have been extravagant, if we have spent for those things which we do not need, if we have bought the things we would like to have and yet cannot afford, we either have to pay the bills or we have to acknowledge we are in default; and the credit, whether it be of the Nation or of the family, if we do not pay, is discredited, and we are in a sorry plight.

As the distinguished chairman appropriately suggested, this measure of the amount of the debt ceiling is but a valve; it is not the cause, it is the result of that which we have done before, that which we have done, either wisely or wastefully.

Mr. Chairman, it might be said that the consideration of the bill H.R. 7749 is another day of fiscal atonement for the membership of the House of Representatives. It is an occasion made necessary by the fact that we have not succeeded in handling our fiscal affairs so as to pay our own way.

This legislation is the third bill which the Congress has been called upon to enact in the last 18 months making upward revision in the statutory debt ceiling. Unless we are successful in reversing a trend of the last 30 years, we will inevitably be again called upon in the near future to pass on legislation similar to that before us today increasing our present indebtedness in the expectation that it will be paid for later.

A review of the past 30 years gives little cause for pride with respect to the way our Nation's budgetary affairs have been handled. In 25 of those 30 years we have had budgetary deficits of varying magnitudes ranging from one-half billion dollars to \$57 billion. Deficit financing has become our Government way of life. In the last three decades the Federal Government has operated in the red more than 80 percent of the time. We have increased the magnitude of the Federal debt by approximately \$270 billion from \$139 per capita to more than \$1,600 per capita. We have spent more than \$1¼ trillion and in spite of record-high tax collections we have added one-quarter trillion dollars to the national debt.

This 30-year growth in the national debt has brought us to the point that aside from spending for national security the largest single item in the Federal budget is the \$8 billion cost of paying only the current interest charges on that debt. Instead of spending what we can afford, we have spent what we cannot afford. We are in truth spending today the tax collections that will be paid by our children. Every dollar of deficit spending has been a dollar of deferred tax increase. These three decades of deficits have brought an inflexibility to our fiscal posture that finds our Nation in difficulty, if not in downright trouble with respect to the management of our monetary affairs.

The question of whether or not the House of Representatives will vote to increase the statutory debt limit is not answered by any policy decision that we might make today. Instead the question is answered by the actions of the Congress in providing for the Federal spending it has authorized over the past three decades. We have no alternative but to approve the increase in the debt ceiling as proposed in H.R. 7749. The conclusion is inescapable that this legislation must be passed; particularly those who have traditionally voted for spending are conscience bound to vote for its passage.

The need for action on this legislation should be a stern reminder to each of us

that we must more rigidly adhere to the criterion of absolute essentiality in evaluating spending authorizations and appropriation bills. In view of the extravagance we have indulged in during the last 30 years, it is not enough that we should today merely pay our way. A balanced budget must be our consistent goal and our ultimate objective must be sufficient budgetary surpluses to enable us to engage in a program of substantial debt reduction.

If we were to begin in fiscal year 1960 paying \$1 billion a year on our national debt, and assuming no further deficits in the intervening period, we would not have completed paying off the \$285 billion until the year 2245 A.D., and in that period the interest charges would exceed \$1.5 trillion. I submit to the membership of the House that those figures are not mere statistics. Instead they affect the economic opportunity of our citizens, the industrial growth of our Nation, and the fiscal integrity of our Federal Government. If it is our intention to repay this public debt, we should take courageous steps in that direction today; to start tomorrow may be a start too late.

In appearing before the Committee on Ways and Means in behalf of legislation concerning the management of the public debt of which H.R. 7749 represents one aspect of that legislative proposal, our distinguished and able Secretary of the Treasury, the Honorable Robert B. Anderson, said that he was appearing before the committee to support policies he sincerely believed to be in the best interests of 176 million Americans. In essence Secretary Anderson spoke convincingly and courageously in behalf of fiscal responsibility and in behalf of businesslike management of Federal monetary matters. His testimony appears in the printed hearings held by the Committee on this subject, and I commend its reading to my colleagues in the House of Representatives.

Mr. Chairman, under existing law we have a permanent debt ceiling of \$283 billion with a temporary ceiling of \$288 billion through June 30, 1959. The administration request for legislation with respect to the debt ceiling called for a permanent limit of \$288 billion with a temporary ceiling through June 30, 1960, of \$295 billion. In the legislation reported by the Committee on Ways and Means to the House of Representatives we would provide an overall ceiling of \$295 billion with \$10 billion of that being temporary in fiscal year 1960 with a permanent limit of \$285 billion. The change in the administration proposal that has been made by the committee can be justified on the ground that it is expected that on June 30, 1960, the public debt will not exceed \$285 billion.

In May 1959 the public debt rose to an alltime high of \$287.2 billion and has receded slightly from that level since. To put that debt in some perspective with respect to its magnitude, it can be stated that the Federal Government owes as much money as the combined debt of all the corporations in the United States. The national debt equals the debt of all individuals combined with

the debts of all State and local governments. Management of this debt requires a certain amount of leeway to allow for unforeseen contingencies and to enable the refinancing of maturing obligations. In the fiscal year 1960, for example, the Treasury Department will have to refinance \$76 billion of short-term securities that will mature in that period.

A restrictive debt limit is perhaps desirable from the standpoint of whatever psychological value it may have as a restraining influence on the expenditure of public money. However, if such a limit is too restrictive, it may impair and hinder the efficient management of our debt. In urging a debt ceiling of \$295 billion, the Secretary of the Treasury presented three persuasive reasons as to why the leeway provided under your committee bill is necessary. The first of these reasons was the need for permitting the Treasury in the conduct of its debt operations a margin of \$3 billion to provide flexibility in debt management operations and contingencies. A second reason for providing some margin of flexibility in the debt limit is the fact that the Treasury Department will be able to refinance maturing obligations in advance of the maturity date if such action would add materially to the success of a particular financing operation. A third reason for providing some leeway relates to the possibility that there may be sudden demands on the Treasury in the event of a national emergency when the Congress might not be in session.

Even if we are successful in maintaining a balanced budget for fiscal year 1960, the \$295 billion ceiling proposed under your committee's bill will not be excessive when it is recalled that our tax collections are heaviest in the second half of a fiscal year whereas our expenditures are approximately even so that there will be an excess of expenditures over revenues in the first 6 months of a fiscal year and a surplus of revenues in the second 6-month period of a fiscal year. Thus, our debt will tend to rise in the last half of calendar year 1959 and decline in the first half of calendar year 1960.

Mr. Chairman, I am confident that there is no member on the Committee on Ways and Means who does not regret that the fiscal exigencies confronting the Nation require the presentation of this legislation to the House today. I am convinced, as I am sure my Committee colleagues are convinced, that instead of talking about debt ceiling increases, we should be talking and acting to achieve actual debt reduction. However, the facts being what they are, because in large part of our own legislative actions, we have no alternative but to enact this legislation at this time.

What we are asked to do today is to give the Secretary of the Treasury the authority to borrow the money which he cannot secure in taxes, and utilize that money to pay the cost of Government. It is basically as simple as that, and I hope every one of us will see fit to support the bill, because we are not by that act of support giving approval to anything like deficit financing. We are not giving

approval to wastefulness. We are, however, being realistic. We are recognizing that the majority in the Congress has seen fit to authorize the spending but those who may have a record of having voted for economy are nevertheless bound by the actions of the majority. Here where the basic issue is the maintenance of the credit of the United States with all that that phrase implies in the world today, the basic issue is retention of the credit of the United States. We, in my judgment, have no alternative other than to authorize the Secretary of the Treasury to secure the money where and how he may.

It has been suggested that we summarily increase taxes and take from the people of our country the vast amounts of money which we are borrowing and which admittedly will have to be taken from our children and their children in future years. It has been suggested emphatically by some people of learning that we should perhaps increase our tax levies today and take currently out of the economy the money with which to pay the going expenses of Government.

There are different answers to that problem. I believe quite firmly that under the present ratio of taking one-third of the income of every American today in taxes, whether it be Federal, State, or local, we are taking the maximum that can be taken without seriously and adversely affecting the economy of our country.

If I believed that we could levy taxes and take the additional amount of revenue from the earnings of today, I would support such an effort provided I were convinced today the revenues were for necessary spending. However, I believe we have reached the point of diminishing returns in our tax rate structure. Any meaningful amount of additional revenue would have to come in large part from low-income families—from people who earn less than \$8,000 a year. So I suggest to you that if we were to increase taxes and take the money from the economy of today, we would be taking in taxes income that our citizens need to sustain themselves. On the other hand by not paying our way we are imposing a tax on future generations. If we do not succeed in limiting spending and in avoiding onerous taxation we will bring about a curtailment in our industrial growth, and we will, as a formerly great distinguished chairman of this committee used to say, and I refer to the gentleman from North Carolina, Mr. Doughton, kill the goose that lays the golden egg.

It was suggested by one of our distinguished colleagues who appeared before the Committee on Ways and Means in public hearing that we should provide in the law a guarantee that there would every year be applied against the national debt from the revenues of Government a certain amount of money so that in theory each year the debt would be reduced. Of course, the proposal is open-ended. If we adopted that principle and applied a percentage payment on account of the national debt, we would at the same time authorize the Secretary to borrow more from the other end and

in the long run we would never eliminate the debt in that manner. That is not to say that the problem of debt reduction is not a vital one.

We are today talking about a debt that we are handing on to future generations. It is the price they will pay for our extravagances, yes, and our necessary expenses, but I should like to think for worthwhile expenditures, because I earnestly hope and pray that we will pass on to those generations a firm and a lasting foundation for this, the greatest country in the history of mankind.

Mr. HALEY. Mr. Chairman, will the gentleman yield?

Mr. SIMPSON of Pennsylvania. I yield to the esteemed gentleman from Florida.

Mr. HALEY. Using the illustration of the distinguished chairman of the Committee on Ways and Means, does the gentleman think it is a part of the obligation of the people who have constantly voted against these extravagant things to vote for this bill if they are not the people who have fed the fire, and we have been telling them that the pressure was building up? I do not think it is now an obligation of a man who stood here on the floor of this House and opposed these spending programs to now support any increase in our national debt ceiling. I realize the practical situation that exists here.

Mr. SIMPSON of Pennsylvania. I respectfully suggest, in view of the fact that the crisis which now faces the country in the event we do not pay our bills is so definite, so serious, I believe upon further thought the gentleman might agree with me we should all support the proposal pending before us.

I yield to my able and informed colleague on the Committee on Ways and Means, the gentleman from Ohio [Mr. BETTS].

Mr. BETTS. Mr. Chairman, I wish to associate myself with the remarks of the chairman of the Ways and Means Committee and the ranking minority member, the gentleman from Pennsylvania. To those of us interested in economy in Government, it is not easy to vote for a debt limit increase. It is also difficult to explain satisfactorily why we must raise the debt limit of a country which is regarded as the richest in the world. In addition, it is a sad commentary on the financial situation of the Nation that we cannot retire our debt or pay the interest on what we owe, much less meet our current obligations. The simple fact is that in prosperous times our rich country spends more than it makes and has to borrow money to pay its bills.

I support this legislation because we must see to it that our national credit is not impaired. But it seems to me our national credit would be in better shape if we spent less, balanced our budget, and kept our dollar sound for the millions of Americans who have saved some for a rainy day.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. PATMAN].

Mr. PATMAN. Mr. Chairman, I want to thank my good friend from Arkansas,

the distinguished chairman of the Committee on Ways and Means [Mr. MILLS], for giving me this time, although it is a very limited time and insufficient to go into the subject that I would like to go into. I will probably have to hurry, but I will just hit the high spots and put my speech in the RECORD.

Mr. Chairman, the objection I have to the bill and the reason I am going to vote against this bill is because of the committee's failure to give this House the benefit of information we should have in passing on a subject like this. The question is whether or not we have a free market in the United States on Government bonds. I hope my friend listens to this. We do not have a free market in the United States. It is a fixed market, and I am in a position to document that, and I will use as my witnesses people from the Treasury and the Federal Reserve Board. It is a fixed market. I do not care how many times you raise the debt limit, we will have to keep on raising it. We have raised it six times in the past 4 years, all because of high interest. High interest is the only inflation we have had. It is the inflation we have today. It is absolutely against conscience, the way the people are being charged high interest rates, and the Government, for the use of its own money, in particular.

Now, I have a chart here, showing the profits which member banks of the Federal Reserve System have made each year, beginning with 1953, just from trading in Government securities. You will notice that in most of these years the banks made profits of \$57 million, \$31 million, \$61 million and so on—just on transactions in Government securities. But now notice this: In 1953, the money managers ran the price of Government bonds way down—and the interest rates way up. The member banks, not all of them, but those in the know, mostly a few big banks, bought Government bonds at those low prices. Then when the money managers ran the price of Government bonds up again in 1954, the banks unloaded and made a profit of \$417 million. That was several times the profits they had from speculating in Government bonds in any previous year. Then in 1957, the money managers ran the price of Government securities way down again, and kept them down until the early part of 1958, when they drove the price up. That year, 1958, the member banks of the Federal Reserve System made profits of \$681 million just from speculating in Government bonds. This is just like gambling with loaded dice, such as I have here. Everytime you throw these dice, it matters not how you throw them, they either show 7 or 11. You cannot lose. The big banks and bond speculators have loaded dice, too.

Mr. HOFFMAN of Michigan. Throw them again.

Mr. PATMAN. Throw them any way you want to. That one is 11. There is no way to miss, either 7 or 11 come up each time. That is the way it is with these bankers in the know. They are able to throw 7 or 11 every time.

Now, do you know how much \$681 million is? That is over 10 percent of the

amount of the invested voting stock in these banks. In 1 year, just in speculating on Government bonds, using loaded dice, the banks made 10 percent of their capital investment in stock.

Now, of this \$681 million, only 10 big banks made \$124 million last year, which is an average of \$12.4 million each.

Mr. HOFFMAN of Michigan. You have these dice loaded. There are nothing but sixes on these and fives on these.

Mr. PATMAN. That is true with these big banks. They have the bond rates fixed. I am making the situation comparable. Those dice are loaded so they will only show 7 or 11 each time they are thrown.

Mr. HOFFMAN of Michigan. That is a crooked deal.

Mr. PATMAN. Sure, it is a crooked deal, and in the Government bond market, too. That is what I am saying. That is the reason I say that the Committee on Ways and Means ought to bring out a report here, after having a full hearing, on the fixed market on Government bonds. You know, conditions in the Government bond market have become so bad that the Treasury and the Federal Reserve Board were finally forced to investigate. And, yet, before they reveal what they have found out, they ask us to raise the debt limit. We ought to defeat this bill or send it back to the committee. We have got plenty of time to act on this matter. We do not have to be rushed on it. Here I have 10 minutes on a bill like this, and no amendments permitted. We are being treated as we were by the old gentleman who used to come down here with what he said was a very fair rule, "plenty of debate and no amendments." Well, that is about the way it is here; except that we do not have plenty of debate. I have only 10 minutes and others have about the same length of time.

Let us send this bill back to the committee and then bring it out with plenty of time to debate it.

The next 10 largest banks made \$98 million on a capitalization of \$354 million of their common voting stock. In other words, the next 10 banks, after the first 10 had made \$12 million each, made as much as one-third of their capital voting stock investment in 1 year. That is just on one item alone. They cannot lose; loaded dice—everything fixed.

If this is not so, why don't they have unlimited debate here and let us explain it? Why gag us? Why have a closed rule on a matter like this?

During wartime we brought in bills to fix the prices of many commodities and rents, under an open rule, and we got a bill passed. But why should a simple bill like this be brought in under a gag rule, and not in a moment of emergency. That is an insult to the intelligence of every Member of the House of Representatives. This should not be tolerated. We should send this bill back or defeat it. I am not impugning the motives of any member of the committee. I know they are working together and trying to do what they believe should be done under the circumstances. But that does not make this procedure right.

Just the New York banks alone last year made \$92 million on sales of Government securities; 18 New York banks made \$92 million, using loaded dice in the Government bond market. Fourteen Chicago banks made \$48 million. Thirty-two banks in the two Central Reserve cities earned—"earned"—that is a loose use of the word, I know, but they profited by \$140 million from manipulations of the Government bond market.

There is no public supervision over the Government security market. There is public regulation and supervision over almost all commodity markets, including the onion market and the asparagus market, but we do not have any supervision over the U.S. Government bond market. We should not pass a bill like this under these circumstances.

Mr. HIESTAND. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I am sorry, I cannot yield. I was yielded only 10 minutes. I wish I could yield, but I do not have enough time. When the reserve requirements bill comes up I hope to have a little time then. The Committee on Rules gave an extra hour on that bill, so I could have it. I hope I get it. If I do, then I can yield to anybody.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman.

Mr. MILLS. The Rules Committee did not give anything except what the Committee on Ways and Means asked. The rule provides for 3 hours of general debate, and that is what we asked for.

Mr. PATMAN. We are not talking about the same thing.

Mr. MILLS. I am sorry.

Mr. PATMAN. I am talking about the reserve requirements bill, S. 1120, which gives away to the banks about \$15 billion of Government bonds which the Government has already paid off. The Committee on Rules did give an extra hour for debating the bond giveaway bill, when it comes up.

Mr. MILLS. Is that the bill the gentleman is talking about now?

Mr. PATMAN. No, I am not. The gentleman from California asked me to yield, and I said I could not yield now, because I do not have enough time, but that when the reserve requirements bill comes up, when I am going to offer an amendment to cancel \$15 billion worth of bonds that have been paid for once, then I hope to have an hour, because the Rules Committee gave an extra hour with the understanding that I would get it. And I say, I hope I get it.

Mr. MILLS. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. PATMAN. I thank the gentleman very much.

Mr. Chairman, the debt limit is high because interest rates have been high. Too much of the Treasury's revenue is going to pay exorbitant interest charges on the debt. How can we ever get out of debt, pay the debt off, if we have to pay out such huge sums in interest charges. I know that the only way you can have a sufficient circulating medium

in this Nation is to have debt, public or private, because money is based on debt. No debt, no money. But let us pay off the Federal debt, and let individuals and corporations go into debt to supply the money. This huge Federal debt is in competition with the progress of the Nation. We should cut it down, and as quickly as possible. But you will never be able to pay it off by raising interest rates. If one of your constituents asked you to explain how you can justify paying interest on your own money, I cannot imagine how you would explain it. It would be pretty hard to do. But that is what we are doing—paying interest on our own money. That is, the Government is paying interest for the use of its own money. It allows the commercial banks to use, free, its money-creating powers to create money to lend to the Government and to charge the Government exorbitant interest on it. I am perfectly willing to do that up to a point—2 or 2½ percent interest. But when the Government is charged highway robbery rates of 4½ percent, I am against it. I believe we ought to roll interest rates back instead of rolling them forward.

Interest rates are something that can be handled. They are determined by the Federal Reserve Board in cooperation with the Treasury. These agencies can fix any level of interest rates they want. And if the rates are high, it is because they want them high.

The bond rate was held low all during the greatest war in all history—during the most difficult period in our history to keep prices low and keep interest rates low. Yet we kept the interest rate on bonds at 2½ percent. Bonds never went below par during those many years Mr. Roosevelt was President. And the bond rate never went above 2½ percent, under Mr. Truman, as long as he had control.

Mr. Chairman, I come now to my prepared speech, which I would have made entirely if I had had sufficient time. But with the time so short, I will be able only to begin it and insert the remainder for the RECORD.

THE DEBT INCREASE BILL IS A BANKERS' BILL TO HAVE THE GOVERNMENT CREATE UNNECESSARY DEBT PAPER

If any Member of this House handled his personal finances the way we are being asked to handle the Government finances here today, his constituents would take him as being foolish in the head. Frankly, I doubt if there is any Member of this House who would go down to his bank and borrow money to pay his bills when he had more than enough money in his pocket to pay his bills and had no other need for that money. We would all consider that kind of financing very foolish. Yet that is just what we are being asked to do here today in managing the Government's financial affairs. This is a banker's proposal to have the Government create more debt paper so that the banks can buy it on bank created money and collect exorbitant interest.

THE GOVERNMENT OWNS \$15 BILLION OF ITS OWN DEBT OBLIGATIONS WHICH SHOULD BE CANCELED IMMEDIATELY

The plain fact is that the Government owns \$26.5 billion of its own debt obli-

gations, which it has bought in the open market and paid for, and it has no need to hold them. At least \$15 billion of these bonds and other interest-bearing securities can and should be canceled immediately. At least this amount of the \$25.6 billion of Government obligations which are now being held in the vault of the Federal Reserve Bank of New York have been admitted by all authorities to be unneeded for any policy or mechanical purposes of Government. In fact, the Federal Reserve Board has been and is now urging Congress to help it get rid of a large slice of this \$25.6 billion of Government securities. It is urging Congress to pass legislation that will authorize the Board to give away this amount of securities to the private banks. So if the Federal Reserve System can spare them for a giveaway to the private banks, it can certainly spare them to help the taxpayers of this country, who own these securities. The banks certainly do not own them, and have no claim to them.

I can understand why the people who engage in building space rockets and launching space rockets keep trying to shoot rockets higher and higher into outer space, just for sheer fun and experimentation, but I do not understand why in handling the national debt the Members of Congress should try to shoot the national debt higher and higher into outer space just for fun and experimentation. The Congress would look a little silly, it seems to me, to increase the debt while the Government is holding \$15 billion of its debt obligations which have been canceled in effect, and should be canceled in fact. In truth, if we did such a thing our act could rightfully be called fiscal irresponsibility.

BOTH FEDERAL RESERVE AND AMERICAN BANKERS ASSOCIATION HAVE REPORTED \$15 BILLION DEBT CAN BE CANCELED

And the Congress would look even sillier, if I may use a mild word for it, if we raise the debt by \$12 billion and then turn around this afternoon or next week and pass legislation to give away to the private banks this \$15 billion, which we refuse to cancel. Yet this is a very real prospect. As the Members know, the American Bankers Association has some legislation pending here in the House, S. 1120, a bill to revise the required reserve system. That bill, which we are scheduled to vote on as soon as this debt-increase bill is out of the way, will transfer about \$15 billion of these Government-owned securities over to the private banks without cost to the banks, but with the cost to come out of the taxpayers' pockets. Some public-relations expert has nicknamed this bill the vault-cash bill.

Now how much of the Federal Reserve's present portfolio of \$25.6 billion of Government securities does it actually need to give it a comfortable income—in lieu of appropriation—plus all the conveniences, luxuries, and possible needs that might arise for policy purposes?

Let me read from a report which the Board of Governors of the Federal Reserve System has sent up to the Committees on Banking and Currency of the

House and the Senate in support of the bond giveaway bill. This was the Board's position on April 7, 1959. This report is recommending the American Bankers Association legislation to have the Federal Reserve System transfer ownership of about \$15 billion of these Government-owned securities over to the private banks, on a cost-free basis, by reducing the banks' required reserves. This is from the conclusion of the report. I quote:

#### CONCLUSIONS

It may be concluded from this discussion of the appropriate level of reserves that, to permit effectuation of appropriate monetary policies, reserve requirements of member banks do not need to be as high as they have been in recent years. A lower level of requirements would improve the earning position of banks and aid them in building up their capital positions \* \* \*.

Then in the next paragraph this report continues:

To the extent necessary to avoid undue credit expansion, reserves released by any reduction in requirements could be absorbed by Federal Reserve sales of securities in the market. This would in effect shift earning assets from Federal Reserve banks to member banks. The present System portfolio is adequate to permit a substantial reduction and still leave enough to provide sufficient earnings to cover necessary expenses, as well as for current purposes of policy.

Any decrease in requirements, however, should leave the Federal Reserve with a portfolio adequate to cover possible future contingencies, such as a large inflow of gold or economies in the use of currency that might add reserves in excess of appropriate needs.

Now what is the Federal Reserve Board saying? It is saying that it proposes to transfer its holdings of Government-owned securities over to the private banks for one reason, and one reason only, which is to increase bank profits. And it is saying, furthermore, that for all the purposes it has enumerated it needs a portfolio of Government securities of certainly not more than \$10 billion. Six billion dollars would give it a handsome income at present interest rates. And no more than \$2 billion or \$3 billion would be needed for the emergencies it mentions, and even its emergencies can be met in other ways.

Now what does the American Bankers Association say about the size of the portfolio of Government securities the Federal Reserve needs to keep? When the American Bankers Association started its drive for legislation to liberate about \$15 billion of the Federal Reserve's hoard of Government securities, it made a long report to the Federal Reserve Board, setting out its proposed program and its specifications for legislation. I quote from that report:

It is clear from the figures that the System's holdings are far in excess of the amount needed for the Reserve banks to cover expenses and dividends. Even if these holdings were reduced by as much as \$15 billion, the System would still have some net earnings after dividends.

So here is the American Bankers Association saying that the Federal Reserve's holdings can be reduced by \$15 billion. Furthermore, it is saying that

with reference to a period when the Fed's portfolio amounted to \$23.7 billion, not the \$25.6 billion it holds today. Yes, the American Bankers Association is saying that \$15 billion can be taken away from the Federal Reserve and still leave it with all the interest income it needs to meet expenses, and then it would still have some income left over which it would have to pay back into the Treasury.

You see, this is the way Congress appropriates money for the Federal Reserve System; instead of appropriating, it simply tells the Federal Reserve it can call up the Bureau of Engraving and Printing, obtain all the Government currency it wants, use this currency to buy interest-bearing securities of the Government, collect the interest on these securities, use all the interest income it wants to for expenses, and then return what is left over back to the Treasury.

Now what is in the Federal Reserve's holdings of \$25.6 billion of securities, and how did it acquire them?

These securities are all interest-bearing obligations of the U.S. Government. They are bonds; they are Treasury certificates, and Treasury bills. The majority of its holdings are in short-term securities which it exchanges for like securities as they mature. In other words, although many of the securities are in 91-day bills, the Federal Reserve simply exchanges the maturing bills for new bills every 91 days, so it is a continuing debt.

THE FEDERAL RESERVE HAS ACQUIRED INTEREST-BEARING OBLIGATIONS OF THE GOVERNMENT BY HANDING OUT NONINTEREST BEARING OBLIGATIONS OF THE GOVERNMENT

This \$25.6 billion has been acquired over a long period of years. It has been acquired, as I have said, by purchases in the open market, not from the Treasury, so the Federal Reserve has paid full price for them.

Furthermore, there is no argument about who owns them. They have been paid for with Government funds, and not a penny of any private bank's funds or deposits with the Federal Reserve have been used to acquire these securities. Not even the American Bankers Association in the reports it has made in support of the bond giveaway proposal makes any claim that the private banks have any ownership or any rights whatever to these securities.

So ownership is not in question.

In the last analysis the Federal Reserve has acquired these interest-bearing securities of the United States in exchange for non-interest-bearing securities of the United States. It has acquired the interest-bearing securities by reason of the fact that the general public—not the bankers, the general public—has accepted in exchange an equal amount of currency.

This is the way it works. The Federal Reserve Board hands out currency called Federal Reserve notes. To get these notes it simply calls up another agency of the Government, the Bureau of Engraving and Printing, and orders whatever amount it wishes to have printed, sends an armored truck over

to pick them up, and then passes them out in exchange for Government bonds and other interest-bearing securities.

FEDERAL RESERVE NOTES ARE LIABILITIES OF THE TREASURY

These Federal Reserve notes are obligations of the U.S. Government, not obligations of the Federal Reserve System. It says so right on the face of them. And they are signed by the Secretary of the Treasury and by the Treasurer of the United States, not by the Federal Reserve Board. But the Federal Reserve Board obtains them from the Bureau of Engraving and Printing without any cost whatever. It goes through the motion of paying the printing cost, which is quite small. But actually this cost comes out of the Treasury, because it is deducted from the income which would otherwise be returned to the Treasury. These Federal Reserve notes do not pay interest, although the Federal Reserve Board in returning its income to the Treasury, except for what it uses for expenses, chooses to report these payments to the Treasury as interest payments on the use of the Federal Reserve notes. To repeat, the way it works is this. The Treasury pays the Federal Reserve interest on this \$25.6 billion of interest-bearing obligations. The Federal Reserve uses what it needs for expenses, sets aside 10 percent of what is left over in a surplus fund, then returns the remainder to the Treasury with a report that it is paying the Treasury that amount of interest on the Federal Reserve notes which it has used to acquire these interest-bearing obligations.

I have proposed that \$15 billion of the interest-bearing obligations be canceled. These are all included in the debt which is subject to the legal ceiling. However, the Federal Reserve notes are not subject to the debt ceiling. They are obligations of the Government, but they are not expected to be "redeemed." The amount of this currency which is in circulation is determined in the last analysis by the amount which business and consumers find convenient for carrying on trade and commerce. The amount in circulation is the amount of money which business and commerce prefer to have in currency, rather than in bank deposits. Business and consumers have acquired this currency by going into the banks and asking for currency in exchange for credit in their deposit accounts. Most of the money is still in bank deposits, not in currency.

EXCEPT FOR GAG RULE AND BANKERS' OPPOSITION, IT WOULD BE A SIMPLE MATTER TO CANCEL \$15 BILLION OF UNNEEDED DEBT

It would be very easy to cancel \$15 billion of these securities. I have proposed legislation which would accomplish this. It would simply require the Federal Reserve Board to turn over to the Treasury for immediate cancellation \$15 billion of these securities.

I have no doubt that Chairman Martin and some of the other members of the Federal Reserve Board would object to this. The \$15 billion have, from their point of view, been earmarked for a giveaway to the banks. I have no doubt

Chairman Martin could think of all kinds of pious-sounding excuses as to why he would think it impossible to transfer assets from one Government agency to another. In fact, I understand he has written to some of the Members saying that such a transfer could not be made because it would unbalance the Federal Reserve's bookkeeping. You see, the Federal Reserve keeps an account of the amount of Government currency it hands out, so on the liability side of its balance sheet it reports \$26.9 billion of Federal Reserve notes outstanding. And on the asset side of its balance sheet, it reports the \$25.6 billion of interest-bearing Government obligations it has acquired with these notes. The \$26.9 billion of Federal Reserve notes has gone to pay for the \$25.6 billion of Government securities, plus other things.

I have proposed legislation which would cancel \$15 billion of these bonds. And the amendment I have proposed could also take care of the bookkeeping in a nice, tidy, orthodox way. It would transfer the \$15 billion of assets to the Treasury for cancellation, and at the same time it would transfer to the Treasury \$15 billion of liabilities for the outstanding Federal Reserve notes. This will keep the books in balance. And certainly the Treasury can have no objection to assuming the \$15 billion of liabilities for these Federal Reserve notes, because the fact is, as I have pointed out, these notes are already liabilities of the Treasury, all \$27 billion of them. And they are a convenient sort of liability to have because, as I have said, no one will ever try to redeem them, and if a holder of these notes should try to redeem them, the only thing he could demand in exchange would be another Federal Reserve note just like the one he wants to redeem. So this method of transfer would take care of the matter very nicely.

Unfortunately, the Members of the House are meeting here under a gag rule. The Rules Committee has not seen fit to give Members of the House an opportunity to propose amendments to this debt-increase bill, otherwise I would offer an amendment which would substitute a figure permitting the \$12 billion increase in the debt limit for a figure which would bring about a net reduction of \$3 billion in the debt limit. And it would, furthermore, require the Federal Reserve Board to transfer to the Treasury for immediate cancellation \$15 billion of its unneeded debt obligations.

I hope, however, to be able to offer this as an amendment to the bond giveaway bill S. 1120 when we take that up. So that the Members may be informed, I will insert at the conclusions of my remarks a copy of the amendment I propose to make at that time, assuming that the House should make the unfortunate decision to approve this debt-increase bill.

Furthermore, I am sure that if the Federal Reserve Board really could find it in its heart to try to help the taxpayer, instead of the bankers, it could figure out many other ways whereby this \$15 billion of Government-owned securities could be transferred from one Government agency to another.

CONGRESS TO ACT NEXT ON THE BANKERS' BILL,  
S. 1120 TO APPROVE A \$15 BILLION BOND GIVEAWAY

Just to illustrate what can be done, let me point out how the Federal Reserve is proposing to transfer Government-owned securities over to the private banks under the bond giveaway bill.

First of all, of course, the member banks of the Federal Reserve System are required to keep a small percentage of their depositors' money in cash and on deposit with the Federal Reserve banks. This helps safeguard the depositors' money by making sure that the banks do not put it all out in loans and investments. But when a customer comes to a bank and wants to take some of his deposit balance out in currency, this makes it kind of hard on the bank. Most of the depositors' money is let out or invested and is not in cash. So to satisfy the customers' demand for currency, the bank has to go to the Federal Reserve to get it, and it gets it only by drawing on its reserves. If this draws down the bank's reserves below the required minimum, then the bank either must borrow from the Federal Reserve, and pay interest, or it must sell some of its securities to get the cash. So to help the banks along, the Federal Reserve follow this practice: Each time it buys any Government securities it gives the banks an equal amount of cash reserves. The theory of it is this:

Several years ago, when my children were small, I had a small savings program going, and I made it a rule that each time I bought a Victory bond I would put a certain amount of cash in a little savings bank we had for the children. It became the children's money then and there, but with strings attached. It was to help them build up an account, and they had to keep it in savings. They could not draw it out and spend it for the movies.

So the Federal Reserve theory is the same. It has given the banks a million dollars of cash reserves, as a free gift, each time it has bought a million dollars of Government securities, but there has been a condition attached. This cash was to be held as reserves to help safeguard bank depositors' money, not to be drawn out and spent or lent. At present, member bank reserve amount to 14.9 percent of their demand deposits, and to 5 percent of their time deposits.

The bankers are proposing now, however, that the percentage of reserves they are required to keep be reduced. In other words, the Federal Reserve Board is recommending to Congress that the banks be allowed to draw out some of these reserves, provided they use them to buy the bonds now owned by the Federal Reserve. No money will change hands, actually. It is just a proposal to change the bookkeeping so as to transfer the bonds over to the banks. After this is done the books will still be in balance, and the only actual changes which will have taken place will be these: First, bonds now owned by the Government and paying interest back into the Federal Treasury will be owned by private banks and paying interest into private bank profits; second, when

this \$15 billion of bonds become due, the Government will have to hand out \$15 billion more to buy them back again.

GIVING AWAY \$15 BILLION OF BONDS WILL MEAN  
TAXPAYERS WILL HAVE TO PAY FOR THEM  
AGAIN, PLUS INTEREST

Here is an added note which may be of interest to the Members. The American Bankers Association argues that transferring these bonds to private banks will not mean the Treasury will lose all the interest payments on them for this reason. The banks pay Federal income taxes so they will pay back about 52 percent of these windfall interest payments in the form of taxes. This is quite true. But what the American Bankers Association neglects to point out is that under the methods whereby this \$15 billion of Government securities will be transferred to the banks, the banks will not pay an income tax—not even a gift tax—on the receipt of the \$15 billion of principal.

Now, why should Congress increase the debt ceiling and have the taxpayers saddled with more debt when this is completely unnecessary? The only excuse we could possibly have is that we intend to earmark the \$15 billion of debt that could be canceled for a giveaway to the banks. And that is not a good excuse. The banks do not need this money. Bank profits are now at an alltime high and still going up. Furthermore, in case any of us has forgotten how much \$15 billion is, let me point out that it is just about the total Federal cost to date of the farm price support, acreage allotment, soil bank, and other programs since such programs were begun a quarter century ago.

I urge that we cancel this \$15 billion of bonds so as to reduce the debt by that amount. This will make it unnecessary to saddle the American people with more debt. Furthermore, it will help keep interest rates down. If we take the alternative course which the American Bankers' Association is proposing and give away \$15 billion of bonds, even though they are a gift, they will be back into the market. They will depress the price of Government securities, which means running up the interest rates. It will mean running up interest rates not only on Government securities, but all interest rates that business, consumers, and farmers have to pay, because interest rates on Government securities very largely determine all other interest rates.

What can the Members of the House do about this matter? This is what we can do and what we should do: Vote down this debt-increase bill. Send it back to the committee and let it come forward again, not under a gag rule which denies the Members of the House any opportunity to make amendments to the bill, but with an open rule which gives the Members of the House some opportunity to think and act for themselves. When that is done, we can amend the bill to cancel \$15 billion of the unneeded debt obligations and save the taxpayers the cost of a \$15 billion giveaway plus the burden of having another \$12 billion of debt paper created for the benefit of the bankers. The bill as it now stands should be defeated.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. MASON].

Mr. MASON. Mr. Chairman, in my opinion, you have been listening to a loaded speech. I say that from the standpoint of one who majored in economics and took several courses in banking and currency and who has a badge or two that show I fooled my professors into believing that I was rather smart.

I will say this, that I could not follow the reasoning of the gentleman who made that speech, and I doubt that very many Members of the House could follow the logic—or the objectives, of the speech you have been listening to. To illustrate, he said the debt limit is high because interest is high. Well, now, that on the face of it is absolutely false. The debt limit is high because we have been spending, we the Congress have been spending, more money than the Government has been taking in. Therefore, the obligations of the Government have continually gone up. Of course, in order to meet those obligations, you have to have a debt limit on those obligations that we make. So I say, and I say very confidently, that there are not two people in this House who could follow the reasoning of that loaded speech, and where it would lead to.

Now then, so much for that. The chairman quoted an old threadbare saying, as I recall it, that those who would dance must expect to pay the piper or the fiddler. The opposite of that is that those who refuse to dance need not feel obligated to pay the fiddler. The parallel is that those Members of this House who have been voting for these expenditures beyond the receipts of the Federal Government must, if they are consistent, vote today to raise that debt limit in order to cover what you have been authorizing to be spent. There is no getting out of that, and those of us who have been consistently voting "no" against those extravagant and unnecessary expenditures need not feel obligated to vote to increase the debt limit.

I know that it must be done, and I know that it will be done, but to vote "no" is the only way I have or you have to register our protest against this kind of spending. That is the only way I know of to do it.

Let us cite particulars: Yesterday by an overwhelming vote we authorized the expenditure of something like \$4 billion. It was voted, I believe, by a majority of 120 or more. Those who voted for that expenditure are under obligations today to vote to increase this debt limit. Those who voted "no," yesterday need not feel any obligation today to vote to increase this debt limit.

Some of us are wishful thinkers, we refuse to face the facts that are before us; we live in a kind of hopeful world of our own making, and we have voted in the last 12 years something like \$70 billion of foreign aid in order to contain communism, a worthy objective, but during those same 12 years communism has expanded until it covers twice the territory, practically speaking, and has taken in about twice as many adherents. That is what our \$70 billion of expenditures for foreign aid has accomplished.

Mr. Chairman, there are a few of us, I would say a very few of us, who love to spend other people's money and then they think, they think they can pay for those expenditures in phony dollars, in synthetic dollars, rubber dollars.

It just cannot be done; it just cannot be done, no matter how persuasive they seem to be. I cannot follow them; it just simply cannot be done. It has to be paid for by money borrowed in the money market at the going rates. That is the only way you can pay for it.

And so because of these facts I shall vote "no" on this debt ceiling simply as a protest vote against the spending that has gone on under both administrations during the last 18 to 20 years, expenditures more than our receipts, and they have got to be paid.

I say to you people, every one of you, that in voting for these expenditures you are under moral obligations to vote for the increase in the debt ceiling. The few of us who have voted against these expenditures need not feel under any obligations to vote for this increase in the debt ceiling. It is only the spenders who need to vote for that.

Mr. FORAND. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. HAYS].

Mr. HAYS. Mr. Chairman, without any argument about the merits or demerits of the presentation of the gentleman who preceded me, I want to speak a word about the qualifications with which he qualified himself to make this speech. He said he had majored in economics.

You know, I had a professor at Ohio State who taught economics out there for 30 years. He gave the same questions in the final examination every year for 30 years. You might wonder why everybody did not get an A. The reason was he changed the answers every year for 30 years.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. CURTIS].

Mr. CURTIS of Missouri. Mr. Chairman, I think that this problem which faces many people when it comes to voting on this matter of debt management each time rests more on semantics than anything else. Unfortunately, the bills in the past few years have been called debt limitation bills, and I think that is what has added to the confusion. This year I am happy to say the Committee on Ways and Means has a little better description of the bill itself. It is referred to as the bill on public debt. Actually it should be called a debt management bill, because it has nothing to do with what the debt is. This is not a ceiling. The only thing it has to do with is what kind of securities evidence the debt. In other words, are we going to evidence the debt with bonds or are we going to evidence it with greenbacks or just how are we going to manage the debt?

I might say that in the committee report we have lent to that confusion because we continually talk about debt ceilings. Anyone who will examine into this problem will see it is not a debt ceiling.

Let me illustrate to some degree, and this is a political statement I am going to make really, to counter a political statement that is constantly being made by some of my Democratic friends. It was made during these committee hearings.

On page 150 of the committee hearings I asked the Secretary this question in order to point this up. Many of my Democratic friends have pointed to the fact that the debt, as they call it, in 1953 was \$267 billion, and the debt now will be \$285 billion. Therefore, have we done a good job?

I am going to read the question I asked Secretary Anderson as follows:

There was some reference made by one of the questioners to the debt in 1953 as \$267 billion and the debt of 1960 about \$285 billion. However, that is only an incomplete fiscal picture as I see it. To each column should be added new obligations which in 1953 were \$81 billion, carryover from appropriations \$78.4 billion, carryover from other authorizations of \$24.4 billion, making a total of \$450.8 billion in 1953 and putting a column to the other side for 1960 of \$285 billion debt, \$77 billion new obligations, \$41.5 billion carryover, and a \$30.2 billion carryover from other authorizations, giving us a figure of \$433.7 billion against \$450 billion.

Actually as far as what is against the full faith and credit of the United States in 1959 or 1960 is an improvement to some degree over 1953, about \$17 billion improvement.

I would say to the House that what I have given is still not a complete picture of the real fiscal situation of the United States. Last year when another bill was up of this same nature I put in the RECORD the additional contingent liabilities against the full faith and credit of the United States. Now, this time the Secretary of the Treasury had this matter ready and available for the RECORD, and on page 151, at my request, the Secretary put into the hearings pertinent data. And, I hope for the benefit of the House, at least for anyone in the House who is interested enough to try to explain this matter to their constituents so that at least the people will be in on this to some degree, that that will help make it clearer.

You will find on page 151 the long-range commitments and contingencies of the U.S. Government as of December 31, 1958.

On page 152 of this insertion you will find two columns, the gross amount of commitments and contingencies, and then another column, public debt securities held by the Government and other agencies. With that, plus what I have also read, I think you can understand—and also the warning statements—and I must not forget those—the warning statements of the Secretary of the Treasury, which is in his statement, not to use this contingent liability as if it were the same as the Federal Government debt that is evidenced by our bonds, because it is an entirely different thing. Who can really evaluate what contingencies we are going to have to pay? And, when we list these contingencies, being around \$315 billion, which they are, that does not mean by any stretch of the imagination that the Federal Gov-

ernment would ever be liable for that amount. But, nonetheless, just look how the budgets and expenditures have been upset by the contingent liabilities under the Commodity Credit Corporation, because that is one of these contingencies. These are the areas, what we call the back door to appropriations, so in figuring out just where the Federal Government stands in 1960 in relation to 1953, if anyone is interested, there is the way to evaluate it. And, I might say in that realm there is plenty of room for honest political debate, but there certainly is not any room for any part presentation of just taking one aspect of the Federal debt for comparison.

Now, then, the situation that is before the House now is this: We are doing nothing to the Federal debt. The debt is already there. It has been created by the appropriation bills and these back-door methods of hitting the Treasury. What we can do about that are four things: We can take care of the debt by issuing more Government bonds, which is deferring the payments. That is what this bill has to do with, gentlemen. The question before the House is, Do you want to take care of this debt that we have by issuing more bonds? That is the question, and it is no more than that. Your alternatives, though, are three: We could take care of it by raising taxes, and that is a fair area to argue about. We could do it by raising taxes. There is a third way we could do it, by issuing greenbacks. I might say that is the way many of the people seem to want to finance the Federal debt, because that is a quiet way that you do not get caught with politically when you do it, but one which will hit the little people the most. There is a fourth way, which is more difficult even than raising taxes, and that is by rescinding certain appropriations that we have already passed or rescinding some of these back-door authorizations. So I say to those who want to vote against this bill: You are saying that we do not want to manage the Federal debt by issuing more bonds, but that we want to do it by increasing taxes. I happen to be opposed to that for the reason that I happen to believe that the present rate of taxation is actually undermining our economic growth and stability, and I am fearful if we increase the tax burden—we are already beyond the point of diminishing returns—we will complicate it still further. If that is so, raising taxes is really not a solution, even if we have the political courage, which I doubt very many Members of the House have, to increase taxes. Of course, the other way would be inflation, which I am afraid many people have already got in their minds that that is the way they are going to do it. The fourth way, as I say, is to rescind appropriations that we have already committed the Federal Treasury to; and if you want to do that, then come in and tell the Committee on Ways and Means and tell the House which acts to rescind. So those who want to vote "no" on this bill have a responsibility, I believe, to tell the House, to tell their constituents, that if they do not want

to manage the Federal debt through additional Federal bonds, they want taxes increased, then what taxes or what appropriation bills they actually want rescinded; and if none of these, then be honest with their constituents and say, "Look. We can drift into inflation and finance it in that way," and it can be done.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Missouri. I yield to the distinguished chairman.

Mr. MILLS. I think it should be made eminently clear that this debt ceiling request is not before us because of expenditures for the fiscal year 1960. It is before us because of the deficit in the fiscal year 1959. Those moneys have already been spent.

Mr. CURTIS of Missouri. That is right. I think the gentleman is right except in one degree, if I may say so. We are obligated, although the money has not all actually been spent. But we regard money that is obligated as having been spent. So the Congress still does have control over the funds that have been obligated but not actually spent. Essentially what the gentleman has stated is true.

Mr. QUIE. Mr. Chairman, will the gentleman yield?

Mr. CURTIS of Missouri. I yield to the gentleman.

Mr. QUIE. Is not the issuing of bonds inflationary? In fact, is it not more inflationary than issuing greenbacks?

Mr. CURTIS. Oh, heavens, no. The issuance of bonds is much less inflationary because it will actually withdraw from the economy a certain amount of savings. Greenbacks would put more in. It has the effect of the flow of money. That makes for the inflationary pressure. I think any economist would agree that bonds would tend to be somewhat deflationary. Certainly greenbacks are the essence and the classic example of inflation. But I will say this, the fact that you have the debt, the fact that the debt is increasing and you have to do something about it some way, that, in itself, is inflationary. But what we are talking about, how best to manage the debt in order to keep it as deflationary as possible, is something else. Increasing taxes would be more deflationary than issuing bonds.

Mr. QUIE. Then is the answer yes or no? Issuing bonds in itself is not inflationary?

Mr. CURTIS of Missouri. That is correct.

Mr. QUIE. But the fact that you issue bonds because of increased national debt makes it inflationary?

Mr. CURTIS of Missouri. Yes. What I am saying is, you do not issue bonds to increase the debt. The debt already has been increased by appropriation bills. What we are deciding is how do we manage this debt that we have created. I am saying that managing it through issuing more bonds is somewhat deflationary and it certainly is as an alternative to greenbacks.

Mr. Chairman, I want to talk to my very good friends in the conservative bloc, at least as far as fiscal affairs are

concerned. There are many of them who are tempted, I know, and sincerely, to vote against this because they say, "We certainly did not vote for these increased appropriations." I think everyone recognizes that I am among those who have tried to keep down these appropriation bills. I have borne the brunt of all the demagogery and flamboyant appeal to the little man, the widows and the orphans, the sick people—all these emotional matters—and treated as if, for heaven's sake, I did not have basic humanity in me and Christian principles, because I insisted that we had to keep these appropriations down. I say now is the time for those who wanted to dance to the tune of being the great Lady Bountiful, and give the people all this, to face up to what they have done, because you are damaging the little people when you go ahead and spend beyond our means and create a situation which is going to bring about inflation, however we manage the debt that has been created.

So I say to my good, conservative friends, "Do not join the grasshoppers." I know the temptation there is to vote against evidencing the debt increase to show you were against this increase. But do not give the spenders respectability by joining with them in voting "No" on this. Let them face up alone to their constituency and the people of this country of playing one side of the fence one day, and saying that we are for all the good things for our people, and then on another day playing the other side by voting against financing this debt through the issuance of bonds, and letting it be financed by the sneak-thief inflation in the hopes that they can disassociate themselves from such company.

(Mr. WAINWRIGHT asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. WAINWRIGHT. Mr. Chairman, the gentleman from Missouri [Mr. CURTIS] is absolutely right when he talks about political courage. In my State of New York, Governor Rockefeller met the challenge. Mr. CURTIS says that we in Congress wouldn't have the courage or guts to raise taxes to meet our fiscal obligation. The New York Republican members of the assembly and senate showed that they had courage by balancing the State budget. There was only one way to do this: pay for the services through taxation. Governor Rockefeller, against the advice of the professionals, met the test with vigor and energy.

Furthermore, the House of Representatives is now treading water on labor legislation. Once again Governor Rockefeller trod where the angels in the House have feared to tread. A labor bill sponsored by the Rockefeller administration was introduced into the New York Senate on March 13 of this year. It specifically calls on labor unions to do much of what is required by the Senate-passed labor bill.

I intend to say more on this in the days to come.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Wisconsin [Mr. REUSS].

(Mr. REUSS asked and was given permission to revise and extend his remarks.)

Mr. REUSS. Mr. Chairman, Congress has not had much choice about increasing the debt ceiling. Unless we act, the ceiling will become \$283 billion on July 1. We are over that amount already. To fail to act would cause the curtailment of vital programs. It would also result in more "monkey business" in order to evade the debt limit, such as borrowing by Fannie Mae at higher interest rates than the Treasury would have to pay if it borrowed directly.

But while we are in the act of increasing the debt limit, let us look at what has brought us to this pass.

The reason why we have to increase the debt limit is because we ran a \$2.8 billion deficit for fiscal 1958, and are running a \$13 billion deficit for fiscal 1959. The reason we have run these deficits is because we have had a most damaging recession. Had we had the maximum employment and maximum production which this country is supposed to have, there would very probably have been enough revenues for the Government at present tax rates not only to balance the budget but to yield a surplus for this period.

And what caused the recession? More than any other single thing, the recession was brought on by the faulty tight-money, high-interest rate policy of the administration. From the first quarter of 1953 to the first quarter of 1959, our gross national product rose from \$364 billion to \$467 billion, an increase of 27 percent. During the same period, the money supply of the Nation rose from \$124 billion to \$138 billion, an increase of only 11 percent.

Plainly, the administration's holding back on the money supply held back adequate growth of the economy. When the administration contracts the money supply, its purpose is to cause economic contraction. At this, it has been magnificently successful.

The tight money policy has brought about our deficits not only in this indirect way—by causing recession, and insufficient economic growth, and thus depriving the Government of necessary revenues.

It has also contributed to budget deficits directly. For example, the President's budget submitted last January was in precarious balance at \$77 billion. The largest single nondefense item was the \$8.1 billion for the interest charges on the national debt. Just a few days ago the President sent up a renewed estimate of expenditures which included an additional \$500 million for interest charges on the national debt—enough to put the President's own budget into the red unless matched by increased revenues.

The epithet "budget buster" has been cast around these Halls rather loosely recently. But for the greatest "budget buster" of them all, I suggest you take a look at the man whose tight-money policy is responsible for the \$15.8 billion in deficits we have had in the last 2 years, on the revenue side, and an increase of several billions in interest charges, on the spending side.

When you Democrats "bust" the budget, you do it to the tune of a few millions. And your aim is to help the old folks, or clean up water pollution, or build houses or highways or hospitals. When Ike "busts" the budget, he does it in the grand manner—by the billions, and without having anything to show for it but a recession. Mr. Chairman, that is real "budget busting."

And what is a constructive alternative to the economic policies which have brought us once again to pierce the ceiling of the national debt?

First, the administration should abandon its tight-money, high-interest policy, and instead adopt a policy of expanding the money supply sufficiently to take care of the needs of a growing economy. If there is an adequate supply of money, we will find interest rates going down for a change, instead of always upward. While the administration and the Federal Reserve should not supply 1 penny more money or credit than is needed to call our resources of men and materials into play, it certainly needs to provide much more money for a \$500 billion economy than it did for a \$300 billion economy.

Second, the administration should achieve whatever expansion in the money supply is needed in a way that will be helpful to the management of the national debt, rather than by its present method, which is helpful solely to the banking system. The administration's present method of creating money—and one it vows to continue in the future—is by lowering the reserve requirements of the banking system. The method which I have been advocating—identical from the monetary standpoint—is by Federal Reserve purchases of U.S. securities. By either method, not 1 penny's worth of money in excess of that needed would be created. The administration method, by its own testimony, has the sole virtue of aiding the banking system. The method I advocate helps the bankers, it is true, but it also spreads some of its benefits on the general taxpayer, and assists materially in the management of the national debt.

I hope, Mr. Chairman, that the administration will not take our action in raising the debt ceiling as a mandate to continue its present monetary policies. Rather, it should take our action as a breathing spell to enable it to adjust its monetary policies to the world of 1959. If it does, this is the last time that it will need to come to Congress in search of an increase in the debt ceiling.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield.

Mr. BOGGS. First, I would like to commend the gentleman on the statement he is making. I think he is putting his finger on the economic difficulties that we are confronted with in this country. I might say to the gentleman, we have had Governor Martin of the Federal Reserve Board before the Committee on Ways and Means now for the past week or so. Some of us have tried to ascertain from him what, if anything, the Board proposes to do in this situation and so far as I have been

able to find out, they propose to do nothing. So that if this continues, we will be again confronted next year with the same problem we have now. This, I believe, is the third time in 3 years under the Eisenhower administration that we have been called upon to raise the debt ceiling, and I see no end to it unless some reversal is made in the fundamental policy of the administration. I, again, congratulate the gentleman on the speech he is making.

Mr. REUSS. I think the gentleman is exactly right. Unless the administration changes its shortsighted and wrong-headed economic policies, it is going to be right back here again, asking for still another increase in the debt ceiling.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield.

Mr. BYRNES of Wisconsin. The only way I can interpret what the gentleman is saying is that we should abolish the independent status of the Federal Reserve Board.

Mr. REUSS. That is certainly not the case.

Mr. BYRNES of Wisconsin. And make it an arm of the executive. The gentleman is saying that the administration is responsible for the monetary policies of the Federal Reserve Board. The gentleman knows the Federal Reserve Board is an independent agency, and that the Chairman of the Board is a former Under Secretary of the Treasury under the Democrat Secretary Snyder. The gentleman is either going to abolish the independence of the Federal Reserve Board or he is going to leave it independent, and then give it the responsibility. While it is independent he cannot charge the administration with responsibility.

Mr. REUSS. I believe in a Federal Reserve Board that is independent. I do not believe that is irresponsible.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. MULTER].

Mr. MULTER. Mr. Chairman, I did not think I would be around here long enough to see what might be called a unanimity of irresponsibility. It does not matter whether you say you will vote against this bill because of some manipulations by the Federal Reserve Board that you do not like or that you are going to vote against it because you want to voice a protest against spending. Either course is irresponsible.

This bill presents only one issue to you, as I see it, and that is: Shall the Government of the United States continue to pay its debts and meet its obligations? It is just that simple. The money that we authorize and appropriate here in the Congress is spent by the executive departments under the President. When they spend that, money or obligate it, it is up to us, the Congress, no matter how we voted originally on the authorization or on the appropriation, to make sure that the credit and the financial standing of our country remains good throughout the world. That we can do only by making it pos-

sible for the Government to pay its bills. Therefore, it is essential, as the able and distinguished chairman of the Committee on Ways and Means has pointed out to you, to raise the debt limit that is made necessary as a result of the expenditures and obligations incurred up to now.

I will vote for this bill but with a feeling of having been let down. In doing so I want to pin the responsibility for spending and budget busting where that responsibility belongs. Despite the fact that I have received no medals for studies in economics, I know that interest and interest rates are a part of our fiscal policy and a part of this national debt, the limit of which must be raised so that we can remain a financially responsible Government.

Let us take the year 1953, and for my figures I will take the end of the year so there will be no dispute as to who was responsible for what happened in 1952 and 1953. At the end of the year, the Nation's personal income was \$288 billion. Today it is \$372 billion, an increase of \$84 billion.

Within that figure for personal income is included salaries and wages. They have gone up \$42 billion in that same period.

What do the American citizens, the American taxpayers, the American wage-earners think about who are the irresponsible spenders and budget busters? Let me give you the answer by way of some more figures. At the end of 1953—again the end of the year—the debt limit was \$275 billion; today it is \$285 billion. Included in those sums are the nonmarketable savings bonds held by the wage earners of the country, the little people. In 1953 they held \$65.1 billion of those savings bonds; today they own \$51.4 billion of those savings bonds.

Today they own \$13.7 billion less of those bonds than in 1953. Each year during the last 6 years they have been cashing those bonds faster than they have been buying them, and during that same period their personal earnings have gone up by more than \$40 billion.

One of the reasons they have turned their backs on their Government is because while the Treasury Department appeals to them to buy bonds as patriotic Americans, the same Treasury Department is running up the interest rates for the benefit of the bond dealers and the big bankers. The nonmarketable, low interest rate bonds are offered to the lower income earners. The negotiable bonds, the high interest rate bonds, the short and long term maturity bonds sold under buy-back agreements, and with 2½ percent downpayments, are delivered to the bond dealers and the big banks.

Do not believe for one minute that the higher interest rates paid by the Government during the last 6 years have not run up the cost of operation of the Government and are not reflected in this debt limit. Every dollar of interest paid by the Government on its securities must be reflected and considered as a part of debt management by the Government, the same as by any going business. The Government interest rate does not follow the commercial rate; the commercial

rate follows the Government rate. Government bonds are riskless bonds. Every bond ever issued by our Government and every bond which our Government ever will issue, I am sure, will be paid at maturity dollar for dollar with interest in full.

Every time the interest rate on a riskless Government security is increased, the commercial market and the banks follow along and increase their rate. It would be absurd to think that investors would buy risk securities or lend money with or without security for private purposes at a rate equal to or less than that being paid by the United States Government on riskless securities.

In 1953 we were paying 2½ percent interest on the Government debt; today we are paying over 4 percent.

Do you know what that means? When our debt limit in 1953 was \$275 billion the Government had outstanding interest-bearing obligations totaling more than \$231 billion. Today with the debt limit at \$285 billion the Government has outstanding interest-bearing obligations of more than \$240 billion. An increase of only 1 percent a year on \$231 billion is \$2.31 billion. An increase of 1 percent a year on \$240 billion is \$2.40 billion a year. If you take the lesser of the two figures, in 6 years that increase would cost the U.S. Government more than \$13.8 billion in excess interest. That is not the whole interest on the debt for the 6 years, that is merely the increase if it were only 1 percent a year.

That demonstrates the irresponsibility of this administration. They did not have to and they do not have to raise those interest rates.

I remember only too well the campaign speeches of General Eisenhower in 1952, repeated by him and his Republican campaigners in 1956. They were going to run this Government on a business basis. They were going to balance the budget and reduce the national debt. The world knows too well that those were empty promises. We could excuse them the first time because of the President's lack of knowledge. There was no excuse for his repeating those promises the second time, after having broken them the first time.

Instead of reducing the debt limit, he and his appointees have cooperated in forcing it up and in requiring us to spend more money instead of less money. There were any number of ways in which he could have kept his promise. He could have prevented the tremendous waste of billions of dollars that has occurred and is occurring throughout his many departments. Instead of increasing his own executive budget and setting the example for his appointees to do likewise, he could, at least, have kept it at what it was.

If he and his Secretaries of the Treasury had not insisted upon a tight money policy and had not insisted upon pushing interest rates up, the cost of Government would have been kept down at least to what it was. Either the elimination of waste in Government, or the maintenance of the 1953 interest rate, would have saved us from the necessity of raising the debt limit as we must do today.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. Knox].

(Mr. KNOX asked and was given permission to revise and extend his remarks.)

Mr. KNOX. Mr. Chairman, I have listened with a great deal of interest to the remarks of my colleagues relative to the bill pending before us today which will provide flexibility to the Secretary of the Treasury in order that he may meet the obligations which the Congress has imposed upon the Treasury of the United States.

If there is anyone who can qualify in a protest on voting against this bill, I believe I can, because of my record as far as appropriations that were before this Congress in the past session and previous sessions are concerned. Today, however, we are confronted with this legislation because of a ghost, or, I should say possibly a giant, which was put in the closet last year.

The ghost of that giant is outside the closet today and we are confronted with this ghost in an endeavor to keep our Government on a solvent basis where it will be able to meet its obligations as they become due.

This legislation is not here because of something the administration did. It is here because of something that the Congress did and that is excessive spending beyond the revenues of this Nation.

There is a cure and I think the cure is this: We must be realistic and face up to our responsibilities. When we launch a new program of spending, this Congress should have the moral courage to present to this body the necessary tax bills in order to meet the expenses of any new spending program. Unless that is done we are going to sink deeper and deeper into debt and the boys and girls now who are sitting in the gallery with their fathers and mothers are the ones who are going to have to meet this responsibility, not only the responsibility of their generation but the responsibility of the generation of today which has created this huge debt and put upon the younger people for generations to come, yes, on children who are yet unborn, the burden of meeting these responsibilities that are rightfully ours today but this Congress lacks the moral courage to live up to them.

I feel constrained today to vote for this legislation, although I have not been a liberal spender as far as appropriation bills are concerned.

But there is one thing I hope never happens with my vote and that would be a situation where the Treasury Department is unable to meet the obligations which the Congress has imposed upon them. Therefore, I am going to vote for this legislation today.

Mr. LAIRD. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman from Wisconsin.

Mr. LAIRD. I thank the gentleman from Michigan for yielding. I would like to call the attention of the committee to the fact that at the close of the fiscal year 1953 the total obligations of our Federal Government were \$330.8 billion

and at the close of the fiscal year 1959 the total obligations of our Federal Government were \$317.5 billion, which shows a reduction of over \$13 billion during the period from 1953 to 1959.

This is brought about in view of the fact that on June 30, 1953, the total unexpended balances carried forward were \$78 billion and of which \$64 billion was obligated. These were direct obligations of the Federal Government, but were not at that time included in the national debt figure. This situation has been changed, and as of June 30, 1959, the unexpended balances have been cut down to \$40 billion and of that only \$32 billion was in direct obligations. In other words, firm obligations outside the national debt figure have been reduced from \$64 billion to \$32 billion during that period of time from 1953 to 1959 and the overall obligation of the Federal Government including the national debt has in effect been reduced by \$13 billion since 1953. This accomplishment has been completely overlooked in the debate today.

Mr. KNOX. I thank the gentleman for his contribution.

Mr. BAKER. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman from Tennessee.

Mr. BAKER. I want to compliment my colleague from Michigan for the very fine presentation he has made and to associate myself with him in support of this bill, although I would have much preferred not to have to vote for it. However, it is the only sensible thing to do from the standpoint of fiscal responsibility.

Mr. KNOX. I thank the gentleman. I, too, would prefer not to have to vote for the legislation, but if we are going to have a sound Government and a Government that is going to be responsive to its obligations, then this legislation must be enacted.

Mr. GUBSER. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman from California.

Mr. GUBSER. A previous speaker made the statement he was confident that Government bonds would always be redeemed dollar for dollar. Would not the gentleman agree with me that his statement would have been more accurate had he said they would have been redeemed in this way: A 100-cent dollar would be redeemed with a 47-cent dollar.

Mr. KNOX. The gentleman is correct and I concur in what he says.

(Mr. JOHANSEN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. JOHANSEN. Mr. Chairman, as I have done in the last two instances of proposed increases in the debt limitation, I intend again today to vote against this newest increase of \$5 billion in the permanent limit and \$10 billion of temporary increase.

Once again we are at the last phase of the three-phase cycle of extravagance, fiscal irresponsibility and self-deception, which cycle of folly we seem to repeat with regularity and increased frequency.

We vote to spend money we do not have. We fail to vote additional reve-

nues to maintain even a current balance of the budget. Then we vote to relax further the restrictions and limitations on our debt ceiling which we previously had imposed as a supposed control on ourselves.

I am voting against this increase in the debt limit as a protest against the sham and hypocrisy of the whole process. I do so with consistency because I have opposed the increasing federalization of governmental spending in the United States. I do so because the course we have been pursuing and are continuing to pursue is the course of irresponsibility, weakened national credit and ultimate bankruptcy.

Of course, our fiscal problems are compounded by our necessary defense spending, although the recent deficits actually reflect increases in nondefense spending out of all proportion to the increases for defense purposes.

Since, however, defense spending is a part of the picture, I must remind the House that the Nation this week has witnessed another episode—incident, in my judgment, is an inadequate term—which raises disquieting concern and anxiety with respect to our national defense. I refer, of course, to the attack by Communist jets on an American patrol plane over international waters off North Korea; to the anxieties and uncertainties in the public mind with regard to the evident defenselessness of this plane and, finally, to what I reluctantly regard as the less than adequate answers to the questions and concern of the American people over this situation provided both by the Defense Department in general and Secretary McElroy in particular.

The issue here, of course, goes far deeper than the matter of the billions which have been and are being spent for national defense. Yet, there is justification certainly for weighing this matter also against the background of the huge defense expenditures and the increase in the debt limitation under consideration here today.

I have made it a point to secure the official minutes of the press conference held by the Honorable Neil H. McElroy, Secretary of Defense, yesterday afternoon. I have carefully read and reread Secretary McElroy's comments regarding the attack on the American patrol plane.

I confess to grave concern over some of the premises and some of the comments offered by Secretary McElroy regarding this episode.

I believe the American people are entitled to better answers to their questions than they are given in some of the comments offered by Secretary McElroy in his response to inquiries at this news conference.

I note for example that Secretary McElroy says that to his mind "the things that have been given the greatest attention are not the most significant things about this incident."

Secretary McElroy added that:

The really important thing to my mind was here was an aircraft on a peaceful mission, flying over waters that are clearly international waters, and this plane was attacked by what I would consider an irresponsible pair of fighters with the results that are well known.

Further, Secretary McElroy expressed the view that:

The question of whether we provide heavy armament for a ship, an aircraft which is on a peaceful mission in international waters \* \* \* is something which I think is kind of aside from the main issue.

I note further that Secretary McElroy used an analogy which, in my judgment, falls far short of a valid comparison. After saying:

In even a condition of cold war you don't expect that you have to be in a position to defend yourself against irresponsible attack, if you were flying over international waters which are clearly your right to fly over.

He added:

I think it is not dissimilar the kind of situation you might have here in Washington. People don't go out at night with guns in their pockets, and yet that doesn't mean some irresponsible person may not attack you and injure you or even kill you.

Certainly, in my judgment, a naval patrol plane—if I understand its role in our defense operations—is hardly in the position of a private citizen walking the streets of a city. It seems to me that a much truer comparison would be the policeman walking his beat or cruising the streets in his patrol car.

Certainly, as the Washington Evening Star commented editorially tonight:

It seems astonishing that in the latest of these incidents (over the Sea of Japan, 38 miles off the coast of Communist North Korea) the American naval plane involved was so poorly armed that it was incapable of answering the fire of the Soviet-built MIGs that wantonly attacked it.

The thing that seems incredible to me is the apparent effort of the Secretary of Defense to minimize the reasonableness and justification of the serious concern of the American people on the score of the defenselessness of Navy air patrols, particularly in such an area.

It is here that I feel that the American people are entitled to better answers than they have received to date and to better answers than they have been given by Secretary McElroy. Certainly they are entitled to know whether there is valid reason why this particular plane or this particular type of mission—or any American military plane or mission, especially in potential trouble areas—should be exposed to total defenselessness against enemy attack.

They are entitled to know how prevalent, how extensive, how unavoidable, and how perilous, not only to members and units of our Armed Forces but to the security of the Nation itself, this or any other type of exposure to total defenselessness may be.

They are entitled, within the limits of genuine national security considerations, to know what can be done, what is being done, and what is proposed to be done to minimize or eliminate such a condition.

And, finally, because of their very willingness to bear the necessary defense costs which are part of our national defense picture—they are entitled to know how the existence of this condition disclosed by the episode off North Korea can be reconciled with our enormous defense expenditures.

Of course, the whole problem goes even deeper, and admittedly this is a matter of high policy, as Secretary McElroy intimated. This is one of some 30 unprovoked Communist attacks on American planes, which have left 112 Americans dead or missing.

Is there never to be a genuine showdown?

If the purpose of our vast investments in military power, and of our desperate efforts to keep ahead in the fiercely competitive race for superior military technology, is not that of forcing effective and decisive showdown, and is not that of meeting acts of lawlessness and violence with swift, effective, punitive retaliation, then what is their purpose?

The highest priced, best trained, best equipped police force a community can provide would be only a futile financial burden, and a mockery to itself and to those it is supposed to defend, if it did not meet and defeat the lawless gangster in the only fashion he comprehends and which can successfully prevail over him.

It is well enough for Secretary McElroy to say that "this country, of course, will not have its rights infringed."

The American people have every basis for wishing to know when that brave sentiment will have the substance we have thought we are paying for.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. WRIGHT].

Mr. WRIGHT. Mr. Chairman, I would not trespass on the time of the House today, except that I feel there is something which needs saying in connection with this discussion that has not been said. Nor should anything I say here be construed as an argument against the enactment of this bill.

It seems to me that in the present situation we have gotten ourselves into through a series of circumstances, with June 30 immediately ahead of us, we have no other alternative than to enact this bill into law.

I am not going to engage in any argument as to whose fault it is that we find ourselves in this situation. I think it can be argued with some validity that it is at least in part due to some of us who have voted for certain so-called spending bills. I have voted for some of them. I think there is equal validity to the argument it is at least in part attributable to the high interest rates we are having to pay, as they take an enormous toll annually in tax dollars. It might even be argued that it is in part attributable to people who voted for the tax reduction bill of 1953, that it reduced the income coming to the Federal Government. But there is little to be gained at this point in arguing over the cause or trying to assess blame.

Mr. MASON. Mr. Chairman, if the gentleman will yield, but the tax reduction bill brought in more dollars afterward than before.

Mr. WRIGHT. I am expressly trying to stay out of a political argument on this issue, and it is a little hard to do, sometimes. One of the things I want to say is that we have to look to the future instead of the past. What we need to do

is not to attribute the cause for our predicament but to figure a way out. The gentleman from Texas [Mr. IKARD], and I, along with 19 other Members of the House, have introduced identical bills which would call for a gradual system of orderly retirement of this national debt. I think this is something which needs desperately to be done. I want to thank the committee for its graciousness and courtesies in having heard us. They still have it under advisement. Apparently I was not sufficiently persuasive, through no fault of the proposal we have advanced but through the failure of my own ability to explain it thoroughly. No opportunity was given to offer it as an amendment to this bill.

I want to mention four things, if you will follow with me, which I believe are demonstrably true. The first is that unless and until we set up a definite policy of taking something out each year to pay on the retirement of the principal of the debt, we are never going to reduce this enormous debt. It is just like a family head who follows the policy that we have been following as a Congress and as a Government. He may say, "Well, I will wait until the end of the month and see if, happily, there might be some money left in the bank with which I can pay off some of my debts." Now, I am afraid most of us, if we were to follow that policy, would find to our consternation at the end of the month that we had spent everything and that there was nothing left to pay on the debts. What that family head should do is to take something out first each month and pay on the debt; make it the first item in his budget. That is what I am suggesting that we adopt as a policy for this Congress, because I think until we do it, until we set ourselves definitely to a course of paying off so much on the debt as a minimum every year, that it is not ever going to be convenient for us to pay a big lump sum, and we will never get to the end of a fiscal year in which we have no crisis and a big surplus by which we can make a dramatic reduction.

Second, it is demonstrably true that it is cheaper in the long run to the taxpayers of the United States for us to pay this debt than it is to continue to owe it. We are paying \$8.5 billion per year in interest alone, simply for the privilege of owing this huge debt. It is the second largest single item in the cost of operating our Government. It represents about 11 cents out of every dollar that the taxpayers pay.

In the third place, it seems clear to me that we should make some systematic plan for reducing this debt and follow it annually, in the interest of fairness to future generations. It seems manifestly unfair for us to expect them to pay for things which we, meanwhile, will have used up and worn out.

Finally, I am convinced that the public expects us to develop such a plan, to the end that we could reduce some of this debt, and that the public will not only accept such leadership, but applaud it, if this Congress will establish such a policy and set it in motion. I believe that the public would be willing to pay

a special tax even, if the proceeds from such a tax were earmarked exclusively for the retirement of the national debt.

The bill we have offered is not a cure-all, nor is it intended to be. But it would set us on a new path of annual payments on debt retirement, and I respectfully ask your serious consideration in its behalf.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. CEDERBERG].

Mr. CEDERBERG. Mr. Chairman, it is very interesting to listen to some of the words and fine speeches by our Democratic colleagues. But, you know, there is one place in the CONGRESSIONAL RECORD where you can determine whether you are for spending and increasing the national debt, and it is in the place where they record you as "yea" or "nay" on these bills that require increased spending. There is where you find it, and not in all of the areas where we find these fine speeches.

I am interested in the program of my good friend, the gentleman from Texas [Mr. WRIGHT]. It is an ideal program. We are going to reduce the national debt 1 percent per year, and yet the gentleman from Texas votes for increasing the sewage treatment authorization from \$50 million to \$100 million; votes more money for roads, votes more money for hospitals, votes more money for schools, votes more money for everything. Now, we have to get on one side of the street or the other. If you are going to spend the money, you cannot reduce the national debt unless you raise taxes. It is just that simple.

Mr. DEROUNIAN. Mr. Chairman, will the gentleman yield?

Mr. CEDERBERG. I yield to the gentleman from New York.

Mr. DEROUNIAN. The gentleman from Michigan neglected to announce that the gentleman from Texas [Mr. WRIGHT] also voted for the public housing bill this year. Last year he voted for the depressed area bill, he voted for the community facilities bill, he voted for the public housing bill, and all of these votes cost to the tune of about \$12 billion. At the same time he has a bill, or a gimmick, I might call it, to reduce the national debt. He votes for spending and then he criticizes a rise in the national debt. He is on both sides of the street.

Mr. CEDERBERG. My colleague from Wisconsin, who made a speech here, has never been known, to my knowledge, in his career in Congress to vote for anything that did not cost more money. Now, about the recession and how much revenues we lost in the recession; if we had listened to some of the spending proposals of our colleagues on the Democratic side of the aisle this increase in the Federal national debt would be billions more than it is now. And because of the wise programs of this administration we have come a long way and our economy is sound and stable today.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. CEDERBERG. I yield.

Mr. REUSS. I shall not try to answer the charge made against me by my friend from Michigan, but I would say concerning my friend, the gentleman from Texas [Mr. WRIGHT], that not only has he voted for clean streams and for decent homes but, so far as I know, he has been against infantile paralysis, too. The record should be complete.

Mr. CEDERBERG. We are all for clean streams. But we ought to raise the money to pay for the job and not try to do as has been done here on the floor of the House, say one thing, and vote the other.

I say to the gentleman from Wisconsin that he raised this issue about the attitude of this administration. I am always amazed that we have so many experts here on how to manage the national debt. And the same people who are the great experts on managing the debt are the great experts in creating the debt.

Mr. MULTER. Mr. Chairman, will the gentleman yield?

Mr. CEDERBERG. I yield.

Mr. MULTER. I wonder if the gentleman has ever tried to make a computation that would show each year how much could be bought and paid for, in the way of eliminating stream pollution, in the way of better sanitation, public housing, and all the other things the gentleman says we voted for on this side of the aisle, with 1 percent interest on the \$2¾ billion extra interest every year that it has cost us since Mr. Eisenhower took over the presidency of this country.

Mr. CEDERBERG. I will say to the gentleman that the Chairman of the Federal Reserve Board is a Democrat who served as an Under Secretary in the previous Democratic administration. This argument about interest rates is a matter of opinion. Let me say to the gentleman from New York that if we had had the intestinal fortitude to raise the money to pay the bills instead of creating the debt, we would not have to worry about this problem today. But we have been content to let future generations pay the bill, because that is the easy way out.

Mr. WRIGHT. Mr. Chairman, will the gentleman yield?

Mr. CEDERBERG. I yield to the gentleman from Texas.

Mr. WRIGHT. Mr. Chairman, I should like to say to the gentleman that I acknowledge I have voted for a number of bills that he calls spending bills. I have done that because I thought it was in the interest of the country when I did it. On other occasions I have voted against increased spending when I have believed that to be in the interest of the country. I do want to say that at the end of each year I have tried to total up the bills that I voted for to spend money and balance them against the taxes which I have supported. In my own instance I have tried to get what satisfaction I could that it came out even.

Beyond this, I would say that I would never question the gentleman's motive or his sincerity in the offering of any proposal, nor would I say of him that he was talking out of one side of his mouth one time and out of the other side an-

other time. Nor would I say, as our colleague from New York has just said, that any bill which he seriously offered and sincerely supported was nothing more than a gimmick.

I think that when we apply our judgment to measure another person's motive, we are treading upon the exclusive domain of God. In the matter of judging our colleagues and their motives, I would urge the advice of the only perfect human being who said, "Judge not that ye be not judged."

Mr. CEDERBERG. I just made this statement, that you cannot reduce the national debt and vote for more spending at the same time. There is no answer to that. The rules of arithmetic have not been repealed.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. CEDERBERG. I yield to the gentleman from Missouri.

Mr. CURTIS of Missouri. Mr. Chairman, I wish all the gentlemen in the House would pay heed to what the gentleman from Texas [Mr. WRIGHT] has just said. We heard on the floor of the House the majority leader say, about a week ago, that this side of the aisle was interested in money and those on his side of the aisle were interested in human beings. That was the leader of the Democratic Party.

I have maintained time and again that this business of attacking the motives of those who disagree with us moves this country backward instead of forward. I think it is proper to point out inconsistencies in people's positions. But in these money bills, too often I have heard the plea from the other side of the aisle that we who want fiscal responsibility, because we think that is in the best interests of the country, therefore are not interested in eliminating disease or in providing people with cheap and adequate homes, or in obtaining clean streams. I believe we are all interested in that. But this debate is over how we may best obtain those things in this world of human beings.

Mr. ARENDS. Mr. Chairman, will the gentleman yield?

Mr. CEDERBERG. I yield to the gentleman.

Mr. ARENDS. I have been a Member of Congress for 25 years. When I came here a little more than \$8 billion ran this whole Government each year. Today we are paying better than \$8 billion as interest on our national debt. During that time I might say to those who have pointed the finger at us on my side of the aisle that out of those 25 years, our party has been in control only 4 years. So I might well say, let not the majority point the finger at somebody else. It is your responsibility.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Louisiana [Mr. Boggs].

Mr. BOGGS. Mr. Chairman, as my good friend, the gentleman from Texas [Mr. WRIGHT] said a moment ago, it is rather difficult to discuss this subject without getting into an argument. We were going along here for quite a little while pretty much without argument, but then we got to pinning some labels

and examining votes, and so on. I presume that this is because there is a fundamental difference here and one that we might as well put on the table where it belongs. I have no intention of criticizing the way anybody votes on anything. I think the only people who can justly make that appraisal are the people who send us here and take us back. And that applies to either side of the aisle. I do think the gentleman from Wisconsin [Mr. REUSS] who spoke here a few moments ago, and who is a member of the Joint Committee on the Economic Report, pretty well put his finger on the main issue and that is the fundamental economic policies which this Government has been following. Granted that the expenditure of X number of dollars is bound to have budgetary effects. But, in all of these questions, we are guided by policy considerations. For instance, no one, certainly, in the world in which we live where the demand for education is so great; where we need to do so much to fight disease and so on—think of what we would contribute to human happiness if we could discover a cure for cancer—and to go back—the gentleman from Rhode Island [Mr. FOGARTY] comes in each year and he says to us, "We need X number of dollars for heart research. We need X number of dollars for cancer research. We need X number of dollars for research in these crippling and paralyzing diseases." Then we try to cut the pattern to fit the cloth—and usually we cut pretty deep. But, the point I am making, Mr. Chairman, is that we would not dare to appropriate—what was it—\$39 billion for our national defense and only several hundred million dollars for the whole research program if it were not for the fact that we do live in a world that requires us to appropriate \$39 billion to maintain the security of our Nation.

So in all of these programs, whether it be for clearing slums in the cities or building highways or controlling pollution in our streams or providing for some assistance in the building and furnishing of community facilities, recognizing the fact that there are areas in the United States that are depressed and need some assistance—basically, we do these things to preserve the United States of America. The fundamental issue is whether or not we have enough confidence in the American system of free enterprise, a system if you will as compared to the all-powerful state Communist system, to believe that we are big enough and strong enough and intelligent enough to have adequate national defense; to have a farm program; to have a sound domestic program—and still balance the budget. Now when I say I believe in a balanced budget, I mean just that and I believe just that. I do not believe in deficit financing—I have never believed in deficit financing and do not believe in it now. I subscribe to the statements of the gentleman on my left who said, "If you are going to spend then you ought to balance this budget." I believe in that. But how do budgets get out of balance? Do they get out of balance exclusively as a result of what we ap-

propriate? Not by any stretch of the imagination. The budget is out of balance this year by about \$13 billion, and of that \$13 billion at least 50 percent of it, if not 75 percent of it, is not attributable to what we, the Congress, have done in the way of appropriations, but is attributable to the decline in the gross national product of this country as the result of the 1958 recession. Now who do I cite for that statement? I cite the Secretary of the Treasury himself.

Let me say this in all earnestness and in all sincerity. I have had the honor and privilege of serving as a Member of the House of Representatives for a good many years. I have seen many public officials, Democrats and Republicans, but I have seen no man whose sincerity of purpose and whose devotion to his country exceeds that of the Secretary of the Treasury, Mr. Anderson. Mr. Anderson in testifying before our committee was asked about this very question that the gentleman from Wisconsin [Mr. REUSS] raised a few moments ago. Mr. KARSTEN of Missouri and I hope the gentleman from Missouri will not mind my quoting him, had the following colloquy with Mr. Anderson:

Mr. KARSTEN. In other words, you would not attribute the blame to the Congress for this deficit.

Secretary ANDERSON. No, sir; I think that the analysis fairly put is applicable to the recession and to the programs in existence such as crop-support programs when we had a very heavy crop and that sort of thing.

Mr. KARSTEN. In your statement you make the statement that it was the recession. Can we rely on that and it was not the Congress that caused this.

Secretary ANDERSON. You can rely on the fact that the biggest single cause was the decline in revenue.

Mr. KARSTEN. And that was the recession quite apart from the Congress itself.

We can argue back and forth. As a matter of fact these things have always been the subject of political debate.

Back in 1952, when President Eisenhower was running, we Democrats were depicted to the country as wild spenders ruining the stability of the dollar. The country was told that we should be returned to private life and our friends the Republicans put in.

The American people did just this in a very big way. President Eisenhower was elected President of the United States by, I think, the biggest majority in history. He was elected again in 1956.

Yet, despite these statements, the deficit today is higher than it has ever been. The cost of servicing the national debt is higher than it has ever been. As a matter of fact, it costs almost \$3 billion more now than it did when President Eisenhower was elected to service the national debt, and there has been no successful program put forward to decrease the national debt. In addition to that this administration has come here, I think, six times since 1952, and asked us to raise the ceiling on the national debt.

I am not saying this in a critical vein, I am saying it only because it is a matter of record; I am saying it because this is a problem which all of us must face whether it be your side of the aisle or my

side. We can demagog as much as we want to, but just wishing about this thing will not make it go away. In my judgment until and unless we have courage enough to recognize that our economy must grow at a rate of at least 3 percent a year to absorb our farm commodities, to provide employment for our young people, to provide resources for research programs and provide for national defense, then we are going to have deficit after deficit, interest piled on interest. This ever-rising interest rate takes it out of the hide of the average American, the pockets of the small homeowner, the fellow who wants to buy a house, the housewife who wants to buy an appliance, and so on.

So in my judgment it is time that we recognize the fundamental fact that we are going to have to meet this situation and I do not mean by the kind of speeches that were made here just a few minutes ago. Unless we do meet it there are going to be some very red faces in the Republican administration.

Mr. Chairman, I yield back the balance of my time.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. ALGER].

(Mr. ALGER asked and was given permission to revise and extend his remarks.)

Mr. ALGER. Mr. Chairman, I have listened very carefully today, as I have in times past, to this matter of debt reduction and spending. I want to make the simple statement to my colleagues that as I see it the financial problems of this Nation spring from one source and one only, and that is, that the Federal Government is spending too much money; and that is defined as spending more than income. So it applies to Members on both sides of the aisle, and I think we ought to stand on our records, how we vote, as to whether or not we are following a sound budget so as to stay within our income.

I listened with interest to the remarks of my distinguished friend the gentleman from Texas [Mr. WRIGHT]. We have adjoining districts. I wonder if the gentleman thinks he can take a position on the floor of the House that leaves all the rest of us as being suspect in our viewpoint. So I must protect myself in my district, if it comes to that, even as I want this viewpoint of fiscal responsibility not to become forgotten, if there is danger of it. We must at least balance the budget before we can talk about a debt reduction.

So it is that I must help pick up the tab for my big-spending colleagues in this effort to balance the budget. My record supports the balanced budget viewpoint. I have every reason today, therefore, to vote against the debt ceiling increase, but I will vote for it. Why? Because I will not repudiate what Congress owes, anymore than what the family owes when we run up expenses at the grocery store or the department store. After we run up the bills we have to pay for them. And so with the Government, when we run up bills as a government we have to pay those bills. That is all this increase is. If we are

going to spend this money we will have to pay the bill, we cannot limit the debt ceiling as the means to cut spending.

The way to prevent debt ceiling increases as I see it, is to reduce spending, and therein lies my objection to the argument of my colleague who believes we can spend for all these programs, each program of which individually might be considered praiseworthy, but like the expansion of family expenditures must be curtailed. You want a car or a new suit of clothes. But you say you will not buy it this month or this year because we are short of income. Why do we not practice this in our Government affairs? We either hold down spending or we must raise taxes.

The national debt is the direct result of spending and we cannot correct it unless we stop spending. As one of my colleagues on this side said, "If you try to hold down the debt by holding down the debt ceiling instead of cutting spending, it is like trying to stop the elevator by hanging onto the pointer that indicates the floor the elevator's at."

Really, it is not a matter of argument as to this proposition of a balanced budget. You can take most any individual program and point out the worthiness of it, but I think we are all agreed that when we spend more than we take in year after year we are wrong. I try to look at that when I vote. My voting record is one for reduced Government expenditures and balancing the budget and not voting for all the spending bills, then virtuously saying: "Let us cut the debt by holding down the ceiling." I do not think that is the way to do it.

It was mentioned here earlier that we as family heads should set aside a little from time to time and try to live within our budget. I must point out from what I have learned about economics through the school of hard knocks and as a small business man that I have observed the Government pursue a course that a businessman could not pursue in the course of his business, of spending more than he takes in. Yet the Congress year after year does spend more than it takes in, and that can affect the value of the money that is left for all the rest of us to spend. It affects all of the people we represent. Congress spending beyond income also results in inflation and it hurts most of all those people of modest means I hear so much pleading for here on this floor in the name of big Federal spending. We should protect them realistically by not inflating the currency through our spending policies.

Now, because of what was said earlier, I would like to read from the record as to the matter of the Federal Reserve being independent of this body, which was set up under a previous administration. A previous President took a very statesmanlike position in making the Federal Reserve an independent agency of Government.

I refer to page 201 of the hearings:

Mr. CURTIS of Missouri. I find that there is one great misconception about the Federal Reserve Board and I note in your preliminary remarks you stated that you are appearing here not as spokesman for the administra-

tion but as Chairman of the Board of Governors. Now, in your capacity as Chairman of the Board of Governors of the Federal Reserve Board, you are not a part of the administration, is that true?

Mr. MARTIN. That is correct.

I think we should all understand that the Federal Reserve Board is independent of this body when it comes to interest rates.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. ALGER. I yield to the gentleman from Wisconsin.

Mr. REUSS. As I read the colloquy on page 201, Mr. MARTIN did say, indeed, what is correct doctrine: that the Federal Reserve is independent of the Executive, but he did not say—at least I cannot find it—that the Federal Reserve is independent of Congress. I certainly hope that is not the case, although I must say sometimes the way they comport themselves you would think they were.

Mr. ALGER. I would say that the way we discuss it here you would think we have a direct control over the Federal Reserve Board. That is not correct.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. ALGER. I yield.

Mr. CURTIS of Missouri. I am happy to hear the gentleman from Wisconsin make the point because in the beginning Mr. Martin said that many people regard the Federal Reserve as an arm of the Congress and derived from the power of the Congress to coin money and fix its value. If it is anything, it is an arm of the Congress rather than the executive department. Certainly it is not a part of the administration, and all these arguments about interest rates have no bearing as far as this particular bill is concerned.

Mr. ALGER. I thank the gentleman.

In revising and extending I want to add some views from page 2 of the committee report on the matter of yearly debt reduction. First, I want to observe that debt reduction is meaningless unless the Congress balances the budget and leaves a surplus.

The report states:

Your committee \* \* \* did not believe that an automatic program for debt retirement would be effective for two reasons. In the first place, the amount, if any, of net debt retirement in any year depends upon the excess of budgetary receipts over budgeting expenditures. If there is a surplus, there will be debt reduction. If there is a deficit, there will necessarily be an increase in the public debt. An automatic debt retirement provision does not alter the fact that debt cannot be reduced when there is no surplus.

What we really need is a constitutional limitation on the Government power to tax, spend, and borrow. Meanwhile, when we spend money we must foot the bill. The debt ceiling must be increased in order to pay Government bills that cannot now be repudiated.

Mr. MILLS. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I think our Republican colleagues are against any wild spending that is not first ap-

proved by the White House. I would like to state that the national debt of the United States was increased by some thousands of dollars last night by an action of the White House and the Republican Party in rounding up votes in support of Mr. Strauss' candidacy for the office of Secretary of Commerce. The words of the Air Force song can now be changed to reflect the heroic efforts of the Air Force last night and early this morning, acting under direct orders of the White House, to rescue Mr. Strauss and the Republican Party from ignominious defeat. Off we go into the wild blue yonder, gathering up Republicans hither and yon. I do question the propriety of a group of influential Republicans, big wigs, and the White House using \$2 million plus worth of aircraft for the purposes of the Republican Party and to rescue Mr. Strauss from political oblivion. The efforts of the White House and such substantial expense to the taxpayers did not even save Mr. Strauss and the Republican Party from defeat. It is a ray of hope, in a sense, for the lessening of bitter interservice rivalry, that the Air Force could rise to such Herculean efforts on short notice to do so much to rescue a former admiral from political oblivion, but unfortunately the taxpayers got it in the neck.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Ohio.

Mr. VANIK. Does the gentleman know whether the planes were armed or unarmed?

Mr. DINGELL. I would be delighted to give the gentleman that information, but I have been trying all morning to find out what these two trips cost the taxpayers, and I cannot even get that information from the Air Force.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Colorado [Mr. JOHNSON].

Mr. JOHNSON of Colorado. Mr. Chairman, I am going to vote for the bill because I think it is the prudent course of fiscal responsibility. I am frank to say that I have read the report of the committee and I find that the debt ceiling is of relatively little value. Every time we bump our heads against it, we come in here and modify it, and the record of those modifications is contained in full in the report of the committee.

For those who are interested in this question, I invite their attention to the remarks of Dr. Walter Heller, chairman of the department of economics, University of Minnesota, and former Assistant Director of the Division of Tax Research in the Treasury Department. He spoke last fall before the annual conference of taxation of the National Tax Association, raising the question as to whether or not the Federal debt limit in fact serves the purpose of sound financial management. Dr. Heller points out that it has caused erosion of Federal budgetary integrity, interfered with efficient expenditure scheduling and effective debt management, endangered our defense program, and aggravated the 1957-58 recession.

#### WHY A FEDERAL DEBT LIMIT?

(By Walter W. Heller, chairman, department of economics, University of Minnesota, before the 51st annual conference of taxation of the National Tax Association, October 28, 1958)

The position taken in this paper can be briefly put by amending the title to read, "Why a Federal Debt Limit, Indeed?" Far from promoting fiscal prudence and expenditure restraint, as claimed by its protagonists, the Federal debt limit has in fact eroded the integrity of our Federal budget, interfered with efficient expenditure scheduling and effective debt management, endangered our defense program, and aggravated the 1957-58 recession. The facts and analysis underlying each of these indictments form the core of my paper.

No attempt will be made here to trace the history of the debt limit, nor to identify the half billion dollars of public debt obligations not subject to the limit. The testimony of Treasury Secretary Anderson before the Ways and Means Committee last January contains a most useful historical survey of, and commentary on, the debt limit.<sup>1</sup> An annual summary of the basic data and history of the debt limit is contained in the annual reports of the Secretary of the Treasury.<sup>2</sup> A monthly release summarizing the status of the debt is issued by the Treasury Department Fiscal Service. The latest one, for example, shows a margin of roughly \$12 billion between the outstanding debt on September 30 of \$276.4 billion and the limit of \$288 billion (consisting of the permanent limit of \$283 billion, as amended September 2, 1958, and a temporary additional \$5 billion, expiring June 30, 1959).<sup>3</sup>

#### A. EROSION OF BUDGETARY INTEGRITY

One of the most serious charges against the debt ceiling is that it has served as stimulus and sanction for devious budget practices and proposals. Quite apart from the costly defense slowdowns last year, which have been very much in the public eye, the ceiling has been a major factor in prompting (1) manipulations to remove certain spending items from the budget entirely (e.g., in 1953, \$1.2 billion of price support loans), (2) proposals in 1955 for highway financing outside the conventional budget and outside the debt limit, and (3) substitution in 1957 of costly agency borrowing for cheaper Treasury borrowing.

Under the impact of the large deficit in fiscal 1953, compounded by the sparse receipts typical of the July-December half of each fiscal year (when only 40 percent of the year's receipts typically flow into the Treasury), the pressure of the debt limit mounted steadily. By August 1953, Treasury

<sup>1</sup> Statement by Treasury Secretary Anderson before House Ways and Means Committee on H.R. 9955 and H.R. 9956, bills to amend the statutory debt limitation, Jan. 17, 1958, U.S. Treasury Release No. A-138.

<sup>2</sup> See, for example, the "Annual Report of the Secretary of the Treasury on the State of the Finances, Fiscal Year 1957," U.S. Government Printing Office, Washington, 1958, tables 26 and 27, pp. 432-433. These tables show the fiscal yearend status of the debt under the limit and the history of the debt limit since 1941. Monthly summaries are presented in the Treasury Bulletin. The pre-1941 history is summarized in the Treasury's annual report, fiscal year 1940, p. 70.

<sup>3</sup> Treasury Department Fiscal Service, "Statutory Debt Limitation as of September 30, 1958." Release No. A-341, Washington, Oct. 9, 1958. The two controlling laws at the present time are the act of Sept. 2, 1958: U.S.C., title 31, sec. 757b, and the act of Feb. 26, 1958: Public Law 85-336, 85th Cong.

Secretary Humphrey was moved to say, "The present debt limit severely restricts flexibility and will more and more limit our ability to administer the financial affairs of the Government."<sup>4</sup> Simultaneously, the fiscal authorities found an escape valve that has been utilized many times since, namely, requesting Federal agencies to finance themselves by direct operations in the money market rather than through Treasury borrowing. The Commodity Credit Corporation led the way by selling \$1.2 billion of certificates of interest to the commercial banks during the second half of 1953 against a nationwide pool of price-support loans on grain. This amount stayed out of the national debt and the nearly \$1 billion still outstanding on June 30 quietly disappeared from the fiscal 1954 Federal budget.<sup>5</sup>

When the rest of the 1953 support loans matured in 1954, bringing much of this amount back onto the budget a roughly equivalent amount was similarly financed the following summer. When the phase of off-the-budget financing was terminated in fiscal 1955 by retiring about a half-billion dollars of certificates still outstanding, the Federal National Mortgage Association (FNMA) issued an offsetting amount of notes directly to the public. The collateral in this case was not farm crops but the FNMA mortgage portfolio. In both cases, interest costs were substantially higher than on direct Treasury obligations.

In 1955, a related fiscal maneuver in connection with the Federal highway program never got beyond the proposal stage because of a storm of congressional protests. The proposal was that an independent authority be set up to finance the program by the issuance of general revenue bonds to be repaid out of the growth of Federal revenues from excise taxes on gasoline and lubricating oils.<sup>6</sup> There was bitter objection to thus circumventing the debt limit and hiding the expenditures from ordinary budget view. As finally passed, the program provided for increased highway-user taxes, earmarked for highway purposes and channeled through a special trust fund.

One does not have to go back to 1953 and 1955 for examples of evasive action and financial brinkmanship under the debt ceiling. The Treasury's greatest hour of jeopardy to date under the ceiling was in 1957. No halfback threading his way precariously down the sidelines ever executed more nimble maneuvers than the Federal fiscal authorities did to keep from going out of

bounds during the past fiscal year.<sup>7</sup> "In order to help keep the debt under the limit in 1957-58 various agencies, particularly the Federal National Mortgage Association, borrowed funds from the public to permit repayment to the Treasury of sums which had been advanced to them. About \$1.5 billion of such repayments were made by the Federal National Mortgage Association from February 1957 to March 1958."<sup>8</sup> Coupled with these moves were slowdowns of defense programs and payments (to be examined in sec. C) and monetization of some of the Treasury's gold.<sup>9</sup>

The debt limit, then, has served as an ethical shield behind which assaults have been made on the fidelity of our Federal budget. I put it this way, because some of the manipulative practices described above were attractive in serving quite a different purpose, namely, to make the budget look smaller than it really was—sort of an incredible shrinking budget—but they might not have been dared without the protective casuistry of the debt ceiling.

#### B. SELF-DEFEATING EXPENDITURE CONTROL

Defenders of the statutory debt limit usually cite its salutary effect in curbing Federal spending. For example, in the hearings on the debt limit last January, Senator HARRY BYRD asserted, "The only protection Congress and the people have against wasteful expenditures is the debt limit." Prof. Yale Brozen, of Chicago, came to its defense in a similar vein during a panel discussion before the Joint Economic Committee last February. Prof. Lester Chandler, of Princeton, had proposed that they should abolish the debt limit or raise it so much that this would become ineffective as a ceiling, a position quickly concurred in by Prof. J. Kenneth Galbraith, of Harvard, Mr. Ralph J. Watkins, director of economic studies of the Brookings Institution, and Prof. Roy Hough, of

<sup>7</sup> The following item from the Wall Street Journal, Sept. 27, 1957, p. 1, vividly brings out the mood of the time and the measures that were contemplated to meet the debt ceiling crisis: "Fiscal chiefs struggle to stay under the debt limit. They seize on new tactics. Defense officials postpone every postponable spending item beyond the critical next few months. They confer with major contractors on delaying payments. Less urgent operating maintenance outlays will wait till after January. The Budget Bureau holds back funds to keep other agencies from expanding employment as much as Congress allowed, at least for now. Other weapons are in reserve. Farm officials consider selling private banks certificates representing shares in a pool of price-support loans; the cash would ease the current squeeze. The Federal National Mortgage Association can sell more securities privately, pay off some debt owed the Treasury. Money men talk of last-ditch moves if the scrape with the debt ceiling gets desperate. Defense officials say they could stop paying all bills until January tax receipts roll in."

<sup>8</sup> The First Boston Corp., "Securities of the United States Government," 18th edition, 1958, Boston, pp. 40-41. This publication also summarizes the history of debt limit legislation from 1917 to 1958 and charts the relationship between the debt and the legal limit for the fiscal years 1954-59.

<sup>9</sup> Monetization is effected by converting the free gold in the Treasury's general fund into gold certificates for deposit in Treasury balances in the Federal Reserve banks. By this method, \$500 million of gold was monetized in November 1953, and another \$100 million in February 1958. The process is described in detail in the Treasury's annual report, fiscal year 1954, p. 26.

Columbia. Mr. Brozen disagreed, stating, "I think to some extent there has been a salutary effect from the existence of the debt ceiling inasmuch as the administration does tend to think a little more seriously about its overall spending program."<sup>10</sup>

The expenditure restraint which these statements contemplate typically has two facets. One is economizing, i.e., eliminating waste and thereby providing a given service with a smaller input of money and resources. The other is simply the curbing of growth, or forcing of cutbacks in Government spending when deficits threaten to push the debt through the legal ceiling.

On the first score, the record of the debt ceiling is lamentable. It has forced Government borrowing into uneconomic, expensive channels. The \$802 million FNMA notes sold outside the debt limit a year ago are a perfect case in point. That they were sold at the Treasury's request in the context of the painful debt squeeze is beyond dispute.<sup>11</sup> That they were costly is also beyond question. Maturing in only 8 months, the notes carried an interest rate of 4½ percent, when the Treasury could have borrowed the money directly at 4 percent.<sup>12</sup> In other words, a loss of \$4,667,000 can be laid directly at the debt limit's door on account of this single evasive action.<sup>13</sup>

One cannot so readily put a price tag on the much greater waste attributable to the debt limit's disruptive effect on expenditure management and scheduling of particular programs. The force of the debt ceiling can strike swiftly, and to some extent, unexpectedly. Consider, for example, that Secretary Anderson's estimates last January (later revised) placed the prospective debt as of September 30, 1958, at \$271.3 billion and the required debt limit at \$274.3 billion. In fact, the debt was \$276.4 billion on September 30. Even when the debt squeeze was anticipated in 1957, and advance action was taken to slow down expenditures, still further stretch-out and pinchpenny economizing measures had to be taken when the squeeze turned out to be worse than expected. The resulting on-again, off-again scheduling of expenditures is just as wasteful of public moneys as stop-and-go driving is of gasoline.

As an overall curb on the growth of Government, the debt limit is even more inept and perverse in its impact. In a boom, when cutbacks might make some sense as an anti-

<sup>10</sup> Joint Economic Committee, U.S. Congress, hearings, January 1958 Economic Report of the President, U.S. Government Printing Office, Washington, 1958, pp. 490-491.

<sup>11</sup> See, for example, the Business Week article, "Treasury's Eye Is on Ceiling," Nov. 2, 1957, p. 46.

<sup>12</sup> Outstanding Treasury notes maturing in June were yielding 3½ percent at the end of October 1957. Assuming that the Treasury would "sweeten" the yield a bit to gain market acceptance of a new issue, one arrives at a Treasury interest rate of 4 percent.

<sup>13</sup> In reporting plans for redeeming the FNMA 8-months notes, the Wall Street Journal on June 16, 1958, reported that the notes, which had been issued "at the request of the Treasury, when the Federal debt was close to the ceiling," would not be replaced with a new offering, thereby reflecting "the improved position of the Treasury since the new debt ceiling went into effect." The higher interest rate was also cited as a factor dictating against any refunding of the maturing notes. In other words, with the debt limit straitjacket loosened, the Treasury followed a course directly opposite to the one that had been forced on it by the debt ceiling squeeze in 1957.

<sup>4</sup> Treasury Department release, Aug. 3, 1953 (H-211).

<sup>5</sup> The Treasury noted that this financial maneuver increased the participation by banks in the crop loan program and gave temporary assistance to the Treasury in staying below the statutory debt limitation (U.S. Treasury, annual report, fiscal year 1954). Pressure on the budget and the public debt was also diminished by "the Federal National Mortgage Association's accelerated program of mortgage sales and repayment of advances by local housing authorities to the Public Housing Administration." Ibid. For a more detailed explanation of the maneuvers to minimize the budget totals in 1953-54 see Frederick C. Dirks "Recent Progress in the Federal Budget," National Tax Journal, June 1954, vol. VII No. 2, pp. 141-154.

<sup>6</sup> House of Representatives, Committee on Public Works, hearings on national highway Program, 1955, p. 130. For the detailed proposals and the criticisms directed at them, see these hearings as well as the corresponding hearings before the Senate subcommittee of the Committee on Public Works, also in 1955.

inflationary device, bulging revenues nullify any restraining effect. Thus, Federal cash expenditures rose from \$70.5 billion in fiscal 1955 to \$80 billion in fiscal 1957 at a time of little or no discomfort under the debt ceiling. It is at the onset of recession, as in the fall of 1953 and again in 1957, that the debt ceiling tightens its grip.

Does it then lead to rational choices among alternative programs to a careful weighing of relative returns offered by different possible applications of resources? Quite the contrary. It seems to be a case of the Devil—i.e., the debt ceiling—taking the hindmost. For example, when the psychological impact of the periodic debt-limit wrangle hit Congress last July, the \$2 billion community facilities bill bore part of the brunt, not necessarily because it was deemed a poor use of resources, but because it happened to be under active consideration when the debt-limit psychosis took hold.<sup>14</sup> This is budget pruning by the "last-in first-out" principle.

But perhaps it is fruitless to ascribe to the debt ceiling any rigorous disciplinary logic at all. Perhaps it is more realistic to view it as an atavistic or nostalgic substitute for the annually balanced budget in the age-old battle between rules and authority, between laws and men, in Government budgeting. In this light, the debt limit is seen as a wistful vestige of the fiscal orthodoxy which, for example, led Franklin Roosevelt to drive income and excise tax increases through Congress in 1933 at the depths of the great depression in a quixotic attempt to carry out his campaign promise of a balanced budget.

Its kinship with the ill-fated "legislative budget" procedure (enacted in 1946) is even clearer. Under that procedure, Congress tried, unsuccessfully, to impose budgetary discipline on itself by requiring the enactment early each session of an overall ceiling on expenditure appropriations. But in the very first year of operation the sum of the individual appropriations pierced the House ceiling by nearly \$6 billion and the Senate ceiling by nearly \$3 billion. In effect, the procedure foundered on our national schizophrenia in budget matters which leads us to recoil in dismay from the budget totals, even though they be no more than the sum of the parts we have warmly embraced one by one.

Falling in its attempt to curb its own spending tendencies with the aid of one rigid rule or another, the Congress has, ironically, used the debt ceiling to harass and castigate the executive authorities for the deficits which congressional budgetary enactments have forced them to incur. In this sense, the statutory limit has been an instrument of fiscal hypocrisy.

If the influence of the debt ceiling were benign, or at least negligible, we could afford to indulge ourselves in this hollow symbol of our budgetary schizophrenia. But the facts simply do not permit such tolerance. Last year's undercutting of defense in the very teeth of sputnik is a most telling case in point.

#### C. THE NATIONAL DEFENSE CRISIS OF 1957

The operation of the debt ceiling "as a ruinous and arbitrary determinant of Government policies" is nowhere better illustrated than in last year's actions. "In the second half of 1957 the debt ceiling forced the administration to cut back programs needed for long-term national security. And the resulting slash in defense expenditures was an important contributing cause of the recession."<sup>15</sup>

<sup>14</sup> Wall Street Journal, "Treasury Seeks Debt Ceiling Hike to \$288 Billion," Aug. 25, 1958.

<sup>15</sup> Quotations are from a Business Week editorial, "Common Sense in Budgeting," June 28, 1958, p. 124.

A bill of particulars on the disruption of the defense program was summarized as follows a year ago: "Here are major Defense Department actions in recent months that are related to the campaign to save the debt ceiling: (1) The services stretched out production schedules—for at least 19 big plane and missile projects, (2) overtime for defense contracts was restricted, (3) installment buying of weapons was banned, (4) a \$38 billion spending ceiling for fiscal 1958 was clamped on, stimulating a new round of program reshuffling. From this action came the 5-percent reduction in progress payments; an order to contractors to cut payroll costs 5 percent; the Air Force's limitations on monthly payments to contractors, creating new stretchouts, a 200,000-man cut in the Armed Forces."<sup>16</sup>

Apart from the dangerous 1957 slowdown itself, these actions have had lingering effects which have undermined the vigor of our response to the Soviet challenge. As the Wall Street Journal reported (July 8, 1958), "Because of the delayed action effects of the Wilson economy slashes, spending actually dropped in the post-sputnik January-March quarter of this year to \$9.4 billion, from \$9.6 billion in the previous quarter." Even as late as May and July 1958, defense contractors were expressing such apprehension of a repetition of the 1957 slowdown of payments and stretchouts in delivery schedules that the Secretary of Defense was moved to write a memorandum referring to "needless apprehension about a financial crisis."<sup>17</sup>

Thus far, the consequences of the 1957 cutbacks have been no more than dangerous for our national security. They could have been tragic.

#### D. PERVERSE STABILIZATION EFFECTS

We have already noted the perversity of the debt limit in relation to inflation and recession. Its discipline on spending is little felt in the boom, but pinches hard in recession. The defense cutbacks to squeeze by under the ceiling are believed by many to have helped trigger the 1957-58 recession and increase its severity. As Ralph Watkins so forcefully put it: " \* \* \* the crisis of confidence which shook American society last fall \* \* \* may well have been precipitated by the cutbacks and stretchouts in military procurement starting in the summer. They affected a wide range of industry all across the country and, added to the impact of evidence of slow payment of bills by Government, could hardly fail to influence business confidence adversely. The real culprit, given our defense needs, may have been the arbitrary debt ceiling \* \* \*."<sup>18</sup>

Apart from its direct impact in accelerating the 1957-58 recession, the debt ceiling has a more insidious indirect effect in that it condemns deficits without regard to economic circumstances. As long as there is substantial unemployment and idle plant capacity, deficits should be applauded as the hero of the peace, not hissed as the villain. They act as a constructive economic force, cushioning the shock of recession and stimulating production during the recovery phase. They become destructive only when the response to their expansionary impact is no longer rising employment and output,

but rising prices. i.e., inflation. But the debt ceiling condemns all deficits alike, whether expansionary or inflationary.

Undoubtedly, the debt limit played a considerable role in restraining the administration and Congress from taking more resolute action to counter the recession in 1958. To be sure, it is a matter of open dispute whether the avoidance of tax cuts was economically a good or bad thing. It can be argued on one hand that we are enjoying a brisk recovery without tax reduction. It can be argued on the other that, with them, we might be farther along the path toward our full economic potential of \$470 to \$475 billion of gross national product against a current level approaching \$450 billion. But even if the no-cut position could be proven correct, the debt limit would, at best, gain the distinction of being the wrong reason for reaching the right decision.

#### E. RIGIDITY IN DEBT MANAGEMENT AND THINKING

The debt ceiling also inhibits stabilization policy by denying the Treasury the flexibility it needs to make full use of debt management, especially in strengthening our defenses against inflation. This point has been stressed again and again by Treasury officials in petitioning Congress for an increase in the statutory limit. As Secretary Anderson stated in his January testimony: "There is need for more flexibility for more efficient and economical management of the debt." He went on to say: "We have been able to discharge our obligation within the debt limit \* \* \* only by maintaining cash balances which have been distressingly low at times. We have had little or no margin for contingencies. We believe that with some flexibility we would have been better able to manage the public debt to a better advantage for the public interest."<sup>19</sup>

With a higher debt ceiling, or in its absence, the Treasury would be able to build up a more comfortable cash balance when good opportunities presented themselves for marketing long-term debt. Long-term borrowing might be advantageous, for example, shortly in advance of a refunding operation. The net cash redemption or attrition, during the refunding could readily be handled out of the ample cash balance. Given the debt ceiling, however, the Treasury might run afoul of too little attrition, i.e., the refunded issue would overlap the newly issued long terms, thereby piercing the ceiling. To avoid this contingency, the Treasury, in the shadow of the debt ceiling, would have to give up the opportunity to go into the long-term market and rely on bills instead.

Such rigidity in the short run is perhaps symptomatic of the patterns of thought that inhibit the all-out use of debt management as a stabilizing instrument. In this pattern, the debt ceiling assumes more the position of a limiting strategic factor than that of a basic cause.

If we are truly confronted with a complex of inflationary forces in the longer run, it is high time that we removed such shackles as the debt limit and permitted the Treasury, for example, to compete aggressively for long-term funds at the height of the boom and, if necessary, stockpile the proceeds in the Treasury cash balance. We need to reexamine the near axiom that the Treasury cannot borrow long in a boom because it would impinge unduly on sources of investment funds needed for private capital construction and State-local public works. Perhaps such borrowing, combined with stockpiling of the cash or retirement of bonds owned by the Federal Reserve Banks, has advantages over traditional Federal Reserve measures to restrict the availability and raise the cost of credit. More freedom in

<sup>16</sup> Business Week, "Treasury's Eye Is On Ceiling," Nov. 2, 1957, p. 47. The various moves are also described in Editorial Research Reports, under the heading, "Fiscal Maneuvers to Avoid Piercing Debt Ceiling" in its article, "National Debt Limit," Nov. 27, 1957, vol. II, pp. 879-880.

<sup>17</sup> As quoted in "Getting the Budget Back In Line," Business Week, July 12, 1958, p. 27. See also, "Arms Makers Fear Retrenchment," Business Week, May 21, 1958, pp. 21-22.

<sup>18</sup> Joint Economic Committee, "Hearings on the January 1958 Economic Report," op. cit., p. 467.

<sup>19</sup> Statement to the House Ways and Means Committee, Jan. 17, 1958, op. cit., pp. 1-2.

shifting from one type of debt to another also merits further exploration. To clear the way for moving from a largely passive to an aggressively active debt management policy would involve many things. One of them would be to abolish the debt limit.

#### F. MEASURING DEBT BURDEN

This brief digression on unleased debt management raises doubts that our statutory debt limit—insofar as it may be anything more than an empty gesture—is even cast in meaningful terms. As it stands, the debt limit perpetuates the myth that the overall dollar figure somehow represents the burden of the debt. But this figure bears little relationship to our fiscal capacity or to the burdensomeness of the debt.

Merely subtracting the debt held by Government agencies gives us a more meaningful figure for most purposes. As part I of the accompanying table shows, the \$270 billion of debt subject to the ceiling in mid-1957 shrinks to \$215 billion if we exclude the holdings of Government agencies and accounts and \$192 billion if we eliminate the Federal Reserve holdings to arrive at privately held debt.

To infuse greater significance into the debt figure, even if still in a rather passive sense, we need to relate it to some magnitude that measures or reflects our ability to carry the debt burden. Part II of the accompanying table shows that, as a proportion of annual national income, the Federal debt was cut in half, or more, between 1946 and 1957. Or relating the interest on the debt to national income, the burden has fallen by one-third.<sup>20</sup>

*The size of the Federal debt and interest, 1946-57—A comparison of various measures*

[In billions]

#### PART I: DOLLAR AMOUNTS OF DEBT, CASH BALANCE, AND INTEREST

Fiscal year <sup>1</sup>	Total outstanding debt	Total debt less debt held by Government account <sup>2</sup>	Privately held debt <sup>3</sup>	Treasury cash balance	Annual interest charge on total public debt
1957-----	\$270.5	\$214.9	\$191.9	\$5.6	\$7.3
1956-----	272.8	219.3	195.5	6.5	7.0
1955-----	274.4	223.9	200.3	6.2	6.4
1954-----	271.3	221.9	196.9	6.8	6.3
1952-----	259.1	214.8	191.9	7.0	6.0
1950-----	257.4	219.5	210.2	5.5	5.6
1948-----	252.3	216.5	195.1	4.9	5.5
1946-----	269.4	240.3	216.5	14.2	5.4

Footnotes at end of table.

<sup>20</sup> Another approach to measuring the dead weight burden of the debt is suggested by James Buchanan in his new book, "Public Principles of Public Debt" (Richard D. Irwin, Homewood, 1958, pp. 206-210). First, he would adjust the maturity value of the debt downward for increases in the interest rate since issuance, a process which would have shaved \$15 billion off of the size of the debt in mid-1957. Next, he would capitalize the value of the stream of interest payments on the debt in accordance with the pure rate of yield on capital investment at the margin of use. This brings the sum of the debt down to \$185 billion, a "pure" measure of the national debt in the sense that the net yield from \$185 billion of earning assets in the private economy is obligated to the service of the national debt.

#### *The size of the Federal debt and interest, 1946-57—A comparison of various measures—Continued*

#### PART II: RATIO OF DEBT AND INTEREST TO NATIONAL INCOME<sup>4</sup>

Fiscal year	Total debt as percent of national income	Total debt less debt held by Government accounts as percent of national income	Privately held debt as percent of national income	Interest on public debt as percent of national income
1957-----	74	59	53	2.00
1956-----	73	63	56	1.99
1955-----	83	68	61	1.94
1954-----	90	74	65	2.09
1952-----	89	74	66	2.05
1950-----	106	91	83	2.31
1948-----	113	97	87	2.44
1946-----	149	133	120	2.96

<sup>1</sup> All debt and cash balance figures are shown as of June 30, the end of the fiscal year.

<sup>2</sup> "Government accounts" includes Government agencies and trust accounts.

<sup>3</sup> Excludes debt held by Federal Reserve banks as well as debt held by Government accounts.

<sup>4</sup> These percentages relate June 30 debt totals and fiscal year interest charges to the calendar year national income.

Source: U.S. Treasury, Annual Report, fiscal year 1957, Washington, D.C., 1958. National income figures underlying pt. II were taken from U.S. Department of Commerce, "Survey of Current Business," July 1958.

Quite apart from these quantitative measurements, the real burden of the debt in a functional sense consists of its complication of inflation control, the possible unsettling effects of public debt transactions on the money markets, and the disincentive effects that may be involved in transferring funds from taxpayers to bondholders. Only a dynamic and continuous analysis of the debt, its composition, and its relation to economic conditions will serve as a basis for appraising its burden in this sense. Any single magnitude merely diverts attention from the intrinsic debt problem.

#### G. CONCLUSION

Trying to infuse into the debt ceiling as now stated any rationality as an indicator of debt burden probably goes far beyond its central purpose: to curb Federal spending. This paper has shown that it not only fails to accomplish this purpose, except in occasional episodes of arbitrary and capricious cutbacks, but that it involves heavy costs which are out of all proportion to any value it might have as a nostalgic symbol of passive and puerile government.

In the name of budgetary integrity, financial prudence, adequately financed national security, and aggressive policies to combat inflation and counter recession—in other words, in the name of everything that is fiscally holy and wholesome—our anachronistic Federal debt limit should be abolished.

The debt must be seen in the perspective of our whole money supply. For money supply is more than gold and silver; it is also the demand deposits created by new bank loans.

Take a look at the deflation between 1929 and 1933. Only the Federal Government could be expected, in face of such deflation, to step in and take any steps it could to maintain the money supply and the level of economic activity. The charge is not that we then did too much; the charge really is that we did not do enough. The same questions may have been asked with respect to congress-

sional behavior last year. We were told we spent too much. Yet perhaps the trouble was that we spent too little. Had we spent more, or had we cut taxes momentarily, perhaps we might very well have seen a sufficient increase in the level of economic activity so that the Treasury would have had an increase in total revenues. Then the debt would not have risen, because the budget would have been in balance by the higher revenue resulting from that increased economic activity.

I submit that we should discuss debt rationally; it is not just a matter of the Federal debt, but of Federal debt, State and local debt, corporate, and personal debt.

If the total of all debt is increasing too rapidly, that is cause for inflation. I would note that in 1951 it was not primarily Federal deficits that caused the inflation. It was rather that every "patriot" rushed out to buy before the "hoarders" came into the market. As a result consumer credit increased \$1 billion a month in aggregate volume during that period. This was the real cause of inflation then, in response to the Korean incident.

When we debate the question of who is responsible for inflation, let us remember that the actions of Congress are only one of the places where the decisions get made. The decisions also get made in the Board of Governors of the Federal Reserve System and in every bank.

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members who desire to do so may have permission to extend their remarks in the body of the RECORD on the bill presently before the Committee of the Whole.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. DEVINE. Mr. Chairman, as a protest against continued reckless spending and financial irresponsibility, I am compelled to cast a negative vote against the increase in the national debt. I am fully aware of the need of the Federal Government to meet its obligations, and keep faith with its creditors, but the practice of raising the debt ceiling almost annually merely tends to encourage further irresponsible spending programs in the future. If the House approves this bill, it will be the sixth time since 1954 that the debt limitation has been increased.

Mr. DOWDY. Mr. Chairman, I am opposed to increasing the debt limit. I have become convinced that Congress will appropriate and the administration will spend every available dollar, whether from borrowing or from tax receipts.

It is past time that an effort be seriously made to bring deficit financing to an end. Here is the opportunity to do it. Frankly, the debt is already so great that the Treasury is having difficulty borrowing money now. If we do not balance our budget and reduce the debt

in these times, we might as well face it that eventual repudiation is staring at us. That is more serious than the fear expressed here about not meeting our current bills. We should tighten the Federal belt, now, instead of stampeding into bankruptcy. That is what a family or a business confronted with the same problem would do.

The truth of the matter is there would be no necessity for the administration to be in here asking for this debt increase if it were not for its insistence on prolonging the foreign aid program. As long as we continue this song and dance thing of giving billions to foreign governments, our fiscal condition will be hopeless—especially while we seem determined to take care of all the needs of all the countries of the world, friend and foe, alike.

I hope, for the sake of our Nation, and for the sake of future generations, that this bill will be defeated.

Mr. CUNNINGHAM. Mr. Chairman, I have continually voted against foolish and reckless spending of money since I have been a Member of this Congress. Therefore, I feel under no obligation to bail out the big spenders who seem to dominate this Congress and who are responsible for the financial crisis we face in this country today. I hope that all the big spenders will now vote for this bill as the sole responsibility for this mess is theirs.

This country may still have a chance to survive but the outlook is not encouraging as we witness, day after day, the spending of money we do not have. The laborer, the pensioner, the housewife, and millions of other loyal Americans are paying a terrible price for the fiscal irresponsibility which exists today, and I hope that the big spenders in the Congress will realize the seriousness of the situation before it is too late.

Mr. Chairman, I oppose H.R. 7749 because, as I said before, I do not feel as though I should be called up to bail the big spenders out of this mess. I have tried to be responsible in my voting by opposing the spending of money the Government does not have. I am proud to have a record which indicates my fundamental belief in the greatness of our Nation, and I shall continue to vote against any and all measures which would bust the budget and result in higher and higher deficits.

Mr. ROGERS of Florida. Mr. Chairman, it has been estimated that our national debt will total some \$285 billion by the end of the current fiscal year. While the President originally estimated a surplus of half a billion dollars, a revised estimate of receipts and expenditures for fiscal 1959 indicates that we face a deficit of some \$12.9 billion. The prospect of a balanced budget during 1960 also appears to be somewhat dim despite the President's prediction of a small surplus. An error in computing anticipated revenue similar to the one which occurred at the beginning of the 1959 fiscal year will lead to another deficit for the 1960 fiscal year. The programs now in the process of obtaining congressional approval which carry with them vast new obligational authority are

bound to have a considerable impact on a balanced budget for years to come. It makes one wonder just when in the future we might look forward to spending less than we take in. In any event, based on past history, it will take a concerted effort on the part of both the legislative and the executive departments of Government in order to insure some sort of a surplus in the near future.

This state of fiscal affairs leaves us with two alternative courses of action. The first of these might properly be termed the easy way out. It would be to continue on a program of deficit financing and continue to raise the debt ceiling as deficits occur. The adverse effects of such a fiscal policy are many and varied. For the purposes of this statement I will touch lightly on two fundamental effects. Maintenance of the principal of the debt and the constant payment of accruing interest, estimated at some \$8 billion for the coming fiscal year, tend to cripple the productive capacity of our people. Second, and equally important, is the fact that the immense size of the debt and its service reduces the action of the Treasury and the Federal Reserve System in their credit policy. The value of Government securities tends to depress thus making them less desirable to the investor. In short, the larger the debt and interest load currently, the less room there will be for the Government to finance readily and soundly some future emergency.

The other alternative open to us consists of a sound Government spending program which includes some provision for paying off this staggering debt. I have been privileged to join with JIM WRIGHT and FRANK IKARD and others in submitting a plan to the Congress which would provide an orderly, systematic method for reducing the debt. Our proposal would require the Secretary of the Treasury to include in his annual request for funds an amount sufficient to pay off 1 percent of our national debt.

Objectively speaking, there is substantial merit in a program of gradual debt retirement. Some advantages to be realized are: First, that it results in a saving of governmental expenditures for interest second that it strengthens the credit of the Government so that it can better meet an emergency; third, that in times of inflation it may serve as a tool to cope with excessive spending; fourth, that money paid out in debt retirement could well serve as a stimulus to business. Of the amounts paid to individuals and financial institutions, a limited sum may be held in idle balance, but the bulk will be reinvested thus helping to shore up our economy in times of recession.

The important thing to remember in any program of debt reduction is that we must make up our minds to go ahead and then do it. It is no answer to say that now is not the time. I submit that we are passing through one of the most prosperous economic periods in our history. Let us chart a course now rather than take a chance that a more convenient time will materialize in the future. We need only remember that throughout our history the greatest obstacles to na-

tional financial strength and the most acute dangers of fiscal collapse have never been the results of inadequate or failing resources but always consequences of weak financial policies.

Mr. PELLY. Mr. Chairman, I voted against an increase in the statutory limit of the national debt last August and for the same reasons I intend to vote "no" on similar legislation today and under H.R. 7749 to increase the amount of obligation of the United States which may be outstanding at any one time.

Last year the Congress authorized a temporary debt ceiling of \$288 billion which on July 1, 1959, automatically drops to \$283 billion.

The measure before us today provides for a \$10 billion temporary increase which in turn will drop next June 30 to a new permanent limit of \$285 billion.

Here is one of the sources of creeping inflation that contributes to the shrinking buying power of wages, pensions, and savings. Our responsibility is to stop the excess in the amount of Government expenditures over and above the amount of Government revenue from taxes.

I realize the Government has to pay its bills and am prepared to vote to up the debt limit to meet the Treasury needs arising from those expenditures that I vote for through constitutional appropriations. In other words I recognize the obligation of Members of Congress to support and provide through taxation or through loans the funds to cover Federal debts incurred by appropriation bills.

But I take the position that the backdoor approach to the Treasury and the billions of dollars of debt incurred by Federal agencies borrowing direct from the Treasury and thus bypassing the constitutional process of congressional appropriations is the basic reason for this and other recent raises in the legal Federal debt limit. My opposition to statutory authorizations for Federal debt increases is that I know of no other way to bring the issue to a head and terminate the provision in the law that requires the Secretary of the Treasury to cash the notes of Federal agencies to finance their operations; \$43 billion of the national debt is due to backdoor spending.

The majority leader recently said progressive legislation could never have been enacted had it not been for the backdoor method of financing such programs.

My position is that the only way to stop overspending is to terminate any and all expenditures not studied and approved by the Appropriations Committee, and to state my position further, under the present congressional leadership, the only way I see to achieve such control of spending and get all expenditures under the Appropriations Committee is by holding the legal debt ceiling as it is now and forcing the issue.

The President had no alternative other than to request that the national debt ceiling be increased. Congress by fiscal irresponsibility and establishing in past years huge spending programs has forced Mr. Eisenhower to make the request.

Mr. Chairman, personally I have voted against excessive spending, but I am in

the minority. However, were I not in the position of voting against huge Federal spending programs I would certainly be subject to criticism in opposing the higher debt ceiling.

There is plenty of time to report out and pass the Smith resolution to stop the flow of Federal money under the backdoor approach. We can restore control of the Federal purse to Congress and its appropriation process as called for in the Constitution.

If the leadership will support that desirable step toward fiscal responsibility I will then vote to up the debt limit. Control of spending would then be restored to Congress and control of the financial deficit with it.

Another aspect Congress should consider in connection with changing the limitation of Federal indebtedness is contained in various proposed measures providing for systematic reduction of the national debt.

I will support debt reductions in two ways. First, I will vote for legislation to provide a means of cutting the debt if such legislation is considered in the House.

Second, and most important, Mr. Chairman, I will continue to support efforts in the House from day to day, and on spending measure after measure to hold down expenditures below Federal income so as to provide annual surpluses. After all, that is the first and most important step in carrying out fiscal responsibility.

Mr. Chairman, I trust these remarks will explain my "no" vote on this proposal to increase the national debt.

Mr. QUIGLEY. Mr. Chairman, today is the day we meet again to vote again to increase again the ceiling on the national debt. We've done it before and I regret to predict we will do it again. Like most of you, I have voted to increase the debt ceiling in the past. Like most of you, I'll vote to increase it today. When and if the question comes up in the future I will undoubtedly vote the same way because, viewed realistically, what other alternative do we have.

Today, June 19, is also the publication date on a new book which, in my judgment, should be made a matter of required reading for all members of Congress. The book, "The National Debt Ceiling: An Experiment in Fiscal Policy," is written by Marshall A. Robinson and is a result of a Brookings Institution study and, according to the advanced reports, the author's conclusion is that the national debt ceiling has failed as an effective device for controlling Government spending and should be thoroughly revamped. I think all of us, regardless of how we will vote today, are inclined to say "Amen" to the first of Dr. Robinson's conclusions. I think we owe it to ourselves and to the Nation to seriously study his conclusion about revamping and to really consider whether his or some other alternative proposal could not lead us away from these repeated, continuous—and because we cannot say "no"—pointless demands for constant increases in the national debt limit.

Mr. Chairman, I would like to conclude my remarks by including a statement

of June 15 put out by the Brookings Institution which highlights the conclusions reached by Dr. Robinson in the book published today.

The statement follows:

The national debt ceiling has failed as a device for controlling Government spending and should be thoroughly revamped, according to a Brookings Institution study scheduled for publication this week.

Not only has the debt ceiling been unable to prevent deficits and the longrun growth of debt, as its backers had hoped, it has also given rise to numerous abuses. The study, "The National Debt Ceiling: An Experiment in Fiscal Policy," by Marshall A. Robinson, concludes that the statutory limit on the size of the national debt has jeopardized longrun national defense policy, interfered with compensatory measures during recession, hampered proper debt management policy, fostered budgetary subterfuge, and increased the cost of financing the Government.

The debt ceiling issue is currently before Congress, owing to the expiration on June 30 of a temporary \$5 billion increase in the ceiling. The permanent debt ceiling is now \$283 billion and the debt is about \$285 billion. The administration is asking that the ceiling be raised temporarily to \$295 billion.

The Brookings book discusses the origins of the debt ceiling, the characteristics of the debt, the case for the debt ceiling, the case against it, and some economic implications of the debt in relation to problems of inflation, economic growth, and national solvency. It concludes that an arbitrary device is no substitute for fiscal discipline. The real need is for long overdue budgetary reform that will enable Congress to obtain a comprehensive look at its spending and tax programs.

As to the debt ceiling, the book proposes that the Treasury be given authority to borrow whenever Congress approves spending in excess of tax receipts. Thus, as the debt increases, the ceiling would be raised. According to Dr. Robinson, "Congress can fulfill its constitutional duties by establishing a flexible ceiling that always leaves room for the Treasury to borrow what it needs to finance the outlays approved by Congress."

Highlights of the book—which will be published June 19—are summarized below.

#### ORIGINS OF THE DEBT CEILING LAW

The legal limit on Federal borrowing is an incidental outgrowth of the Second Liberty Bond Act of 1917 which authorized the Treasury to issue about \$7.5 billion in bonds. The debt increases since that time—including those incurred during World War I, the depression of the 1930's, World War II, and the Korean war—have all been authorized as amendments to the Second Liberty Bond Act. The debt limit in its present form, however, dates back only to 1941 when the Congress lumped its authorizations for bonds, certificates, notes and bills into one debt figure. The amendment to the Second Liberty Bond Act approved in that year "created the sort of debt ceiling we are using today—a ceiling on the total outstanding debt. The only essential legal change that has occurred in the 18 years since 1941 is that the ceiling has been raised from \$65 billion to \$288 billion."

The study also points out that the interest rate ceiling of 4¼ percent on Government bonds is a carryover from 1918 when Congress authorized the 4¼-percent Third Liberty Bonds. Dr. Robinson says: "The potential restraint of present-day debt management by credit conditions in 1918 is anomalous for a government that claims to support the flexible use of monetary and debt management policies."

#### THE CASE FOR THE DEBT CEILING

The study points out that legal limitations on the power of government to borrow are common in the United States. Twenty-two State constitutions virtually prohibit borrowing, and most other States require that borrowing be approved by popular referendum. These provisions are intended to preserve the solvency of the State and to protect taxpayers from the cost of large sums for debt service. They reflect a rather widespread popular disapproval and fear of debt in general.

Supporters of the debt ceiling are also quoted as arguing that the debt ceiling is an important device for controlling Government spending and it is needed to control the growth of the national debt.

"In summary, control over appropriations, it is argued, is not an adequate device for managing the flow of Federal spending. Congressmen do not always make careful evaluations of expenditure proposals and, too often, are swayed by political rather than economic considerations. They are, it is said, too prone to approve specific appropriations and to end up dismayed at the total amount of spending that has been voted. Moreover, the appropriation process itself provides only loose control over Federal spending; although the amount to be spent may be definite, the rate and timing of the spending is usually left to the discretion of the administrators of the program. In addition, some spending can be done outside of the formal appropriation procedure; hence, there is an uncertain amount of leeway between what Congress appropriates for a given year and what the Government actually spends.

"Supporters of the debt limit argue that the statute compensates for the uncertainties of this budgetary situation; it is the way that the Congress can set a maximum for spending inside and outside of the regular appropriation process."

The advocates of the debt ceiling also argue that the debt is too high relative to other economic magnitudes, such as the total wealth of the country, that it is costly to the American people, that it is a major source of inflation, and that it is a threat to national solvency. The supporters of the debt ceiling argue that the Nation cannot escape these consequences, unless a tight ceiling is maintained.

#### THE CASE AGAINST THE DEBT CEILING

"In general, those opposed to an arbitrary debt ceiling hold that the national debt should be held under control and that the Nation should attempt to match expenditures with taxes except during periods of unemployment in the private economy. They argue, however, that there are times when important Government programs, especially national defense, should not be curtailed, even temporarily, merely because the Government has failed to raise the necessary taxes. The debt limit, they argue, requires this sort of curtailment and then forces the Government to adopt a variety of expensive ways to bypass the ceiling. \* \* \*

"The debt ceiling, they say, has turned out to be a costly and fruitless attempt to achieve fiscal discipline. The arguments they give are as follows."

1. The ceiling has frustrated the efforts of Congress to provide for national defense and to maintain a growing economy with maximum employment. For example, the study pins on the debt ceiling much of the responsibility for the cutback and stretchout that weakened the 1957 defense program. It adds:

"One corollary of the pinch was that many of the private contractors who performed much of the work needed for the Nation's defense had to wait for payment of their contracts with the Government. \* \* \*

"The consequences of the contract payment slowdown should have been an important lesson for the managers of the Nation's finances. The lesson was: debt did not stop

growing because of the Federal debt limit—it merely shifted to the private sector. \* \* \* The Nation was treated to the curious spectacle of the Federal Government, whose credit standing is supposedly the best in the Nation, being supported by the borrowings of private contractors."

The debt ceiling must also bear some responsibility for the onset of the recent recession and for subsequently the largest annual cash deficit of the Federal Government since the end of World War II. According to its critics, it interferes with the operation of the economy's built-in stabilizers and merely heightens the force of the contraction.

2. The debt limit has forced the administration to use costly and wasteful means to finance programs approved by Congress:

"A businessman knows that whenever his normal sources of credit dry up or when he has reached the limit of his allotted line of credit, additional funds can be obtained only as a greater cost [such as selling some assets, discounting receivables faster and so on] \* \* \*. Needless to say, no intelligent businessman would willingly create a circumstance that would curtail his line of credit—yet the critics of the debt ceiling say that is precisely what our Federal Government has been doing."

The study explains that one of the devices for meeting essential governmental commitments when the debt is pressing against the ceiling is to borrow funds outside the legal limitations by means of Federal agencies that normally borrow from the Treasury but also have the power to sell their securities directly to financial institutions. For example, in October 1957 and again in January 1958 the Federal National Mortgage Association sold securities to investors instead of obtaining the funds it needed from the Treasury. In 1957, it paid an interest rate of 4.87 percent compared to 3.91 for comparable Treasury securities; in 1958 it paid 3½ percent when comparable Treasury issues were yielding about 2¾ percent. In commenting on these episodes and another involving the Commodity Credit Corporation, the book states:

"Counting only those issues that were clearly linked to the debt crises of these years, the additional cost of the Commodity Credit Corporation and Federal National Mortgage Association operations was about \$18 million. The critics of the debt ceiling ask what this money bought. The debt limit was eventually raised, and most of the funds ultimately came from the Federal budget. Thus, they argue, that the \$18 million was a needless and wasted outlay."

3. The debt limit has harassed and restricted the freedom of the Treasury in management of the national debt.

In offering new securities to pay off the securities that are coming due (rolling over the debt) the Treasury seeks to obtain the lowest interest rate that is consistent with the broader objectives of a growing and stable economy. An unnecessarily high rate will increase the costs of servicing the debt and too low a rate will mean that some of the issue may not be sold.

"Without a tight debt ceiling, the Treasury can solve this problem by offering its new securities some time before the old issue matures. It can try out a rate that it thinks will be adequate, but if that rate turns out to be too low, it can then take time to plan another issue carefully. It can pick the best time to do its selling so as to avoid undue competition with other issues of governments or business. It can do these things if it has borrowing leeway to permit it temporarily to increase the debt by overlapping debt issues."

But if the debt ceiling is tight, new securities cannot be issued before old ones mature without piercing the debt ceiling; nor

can the Treasury take a chance on not selling the entire issue because of its lack of a cash balance.

"In brief, it can only offer a new batch of securities on the same day as the old ones are maturing—and offer interest coupons that will make their sale a certainty. Without flexibility in the timing of its issues, the Treasury is not only at the mercy of the market; it often has to pay the market more than would otherwise be necessary."

4. The debt limit has weakened congressional control over the operation of Federal Government activities.

"The President must interpret a tight debt ceiling as a congressional directive that he is to cut something from congressional appropriations. Under a tight debt ceiling, the President is the one who must choose the programs that will be actively carried on; he also must decide which will receive only token attention. When the financial pressure is on, his administrators are forced to make the decisions that Congress has refused to make."

The ceiling not only gives the President authority equivalent to the item veto, it also undermines the decisionmaking responsibilities of Congress.

"Under the protective covering of the debt ceiling, the Congressman is able to vote for things that he might otherwise reject. Indeed, under the theory of the debt ceiling, he could approve every spending proposal that comes before Congress, and reject every attempt to increase taxes. The debt ceiling supposedly would be the safeguard that would turn down some of the proposals. The Congressman would not have to step on any toes; he would not have to make the hard decisions required for fiscal discipline."

Summing up the case against the debt ceiling, Dr. Robinson states:

"The case against the Federal debt ceiling is formidable. Based on the record of the Nation's experience with the ceiling, one must conclude that it is not the proper way to achieve fiscal discipline. Moreover, its threat to the Nation's security program and its disregard of the Government's role in periods of growing unemployment, identify it as a danger to our people. It has cost taxpayers millions of dollars as the Government has sought means to bypass its barrier. More serious than this, it has allowed Congress to avoid its basic and time-honored responsibilities in deciding how to use the resources of the U.S. Government. On its record, it would seem that the Nation's experiment with a statutory debt limit has been a failure."

#### TOWARD FISCAL DISCIPLINE

"What then is to be done? The seemingly obvious remedy—abolishing the debt ceiling—is not a sufficient solution. The Constitution states that Congress has the power 'to borrow money on the credit of the United States'; thus the debt ceiling serves as a way for Congress to exercise its constitutional control over borrowing. The ceiling thus cannot be eliminated unless an alternative control is provided. The present type of debt limit is not necessary, however. Congress can fulfill its constitutional duties by establishing a flexible ceiling that always leaves room for the Treasury to borrow what it needs to finance the outlays approved by Congress. Responsible debt management policies require a permanent gap between the existing debt and the ceiling. A debt ceiling that is automatically increased when the debt is increased would, in effect, abolish the debt ceiling as a part-time and arbitrary barrier to congressional fiscal policy."

"\* \* \* Even makeshift solutions, such as raising the current ceiling by \$10 billion or \$20 billion, would be better than what we have now. Although these makeshift solutions would not repudiate the theory of a debt ceiling, they would at least rid us of the

dangers and the extra cost of the present tight ceiling.

"Elimination of the debt ceiling clearly is no panacea for our long-run fiscal problem. It should, however, end the spectacle of our Government resorting to the petty practice of evading its bills and pretending not to increase its debts when it actually has increased them. It should bring an end to the practice of limiting our defenses by an arbitrary barrier that makes no allowance for what other nations are doing."

"Congress can take a step toward fiscal discipline by replacing the debt ceiling with budgetary reforms that will force it to take a comprehensive look at the revenues and expenditures it has approved. The Federal debt need not increase merely because the legal ceiling is removed. We can pay as we go by levying taxes adequate to support the Government. We can even reduce the debt, if that is our wish. By budgeting for a surplus during periods of great prosperity, debt can be retired in greater amounts than it needs to rise during downswings."

"The administration can do its part by applying sound principles of debt management. Interest rates and maturities of Government securities can be geared to the State of the private economy, and the debt can be used to facilitate stable economic growth. Determined leadership and rigorous application of known debt management principles can solve the important problems of our large national debt. These are the options open to the American people. Our Government need not cower under a makeshift ceiling, for it has the tools and the power to achieve sound debt management."

Mr. HENDERSON. Mr. Chairman, it has been suggested that this bill comes up today because a dire emergency exists, occasioned by the expiration of the temporary debt ceiling on June 30. I agree that an emergency exists and has existed for some time in this Nation, an economic emergency which has been brought about by the spineless philosophy of unlimited spending.

Each Member of Congress is aware that the situation has been brought about by the enthusiasm with which the Congress has said "Yes" to every harebrained scheme to live beyond our income, and by the reluctance of the Congress to say "No" to any scheme which might curry favor with a group of voters.

I am confident that some of my colleagues, being able politicians, will attempt to attribute the necessity for increasing the debt limit to the administration and that they will refer loudly to this as an Eisenhower deficit, or even possibly a Republican-caused situation. Well, I want to say here and now that the deficit position this Nation now finds itself in is one that the Congress of the United States has brought about. It is the sole and exclusive province of the Congress to enact the laws of the land, those that call for spending, and those that call for a halt in spending. It is the sole and exclusive province of the Congress of the United States to enact laws for the levying of taxes. It is the sole and exclusive province of the Congress to appropriate funds. How, then, can the situation be ascribed to the administration, or to the Republicans?

The 84th, 85th, and 86th Congress have been dominated by Democrat majorities which have on countless occasions declared themselves to be free and independent in their actions and unwilling to

bow to the will or desire of the administration. This simple, incontrovertible fact is that the full and complete responsibility for the necessity to increase the debt ceiling of the United States is with the Congress of the United States, whose majority party advisors champion even greater spending schemes. The people of the United States are not going to be hoodwinked by the protests of the Democrats, who attempt to escape the responsibility, who attempt to point the finger of blame at the administration, which neither makes the laws, imposes the taxes, nor appropriates the funds; or who attempt to indict the Republican delegation in Congress who have been in the minority since January 3, 1955.

It is time that this Congress breaks itself of the economic narcotics to which it has become so addicted. This is admittedly difficult and is probably a miracle which cannot be expected to happen. However, demagogery must be faced in this Chamber and clearly understood by the people. The Democrats are talking out of both sides of their mouths on this issue. The fact that increasing the debt limit arises at all is a result of spending authorized and often conceived by the majority party. This legislation only dramatizes the more sober and inevitable necessity of paying the Government's bills even if it means going into greater debt to do it to keep current on meeting our obligations.

I am going to vote against increasing the debt limitation, either temporarily or permanently. I have voted for and will continue to vote for a legislative program which would make this action entirely unnecessary.

Assuredly, it is almost an idle gesture to talk about fiscal responsibility in an atmosphere such as dominates this floor today. I can, however, register my protest and that of my constituents by voting against this measure which will legalize a further step toward insolvency.

Mr. CLARK. Mr. Chairman, I am opposed to a further increase in the national debt limit because I believe it is time to start retrenching and living within our means. Year after year the costs of Government have been increasing and we are forced to increase the debt limit. There is entirely too much waste in Government now, and a little belt-tightening, principally in the Pentagon, is in order. The annual interest on our present national debt amounts to about \$50 for every man, woman and child in this country. Each time we boost the debt, we boost the interest payments. It is time to stop this foolishness and get down to a businesslike way of running the Government. No private business, no family group, could operate the way the Government does without eventually going bankrupt.

Mrs. ROGERS of Massachusetts. Mr. Chairman, in the consideration of this legislation to raise the debt limit of the Federal Government it is important to observe the United States of America is a rapidly expanding country. Not only is our population increasing at this time at an exceptional rate, but also our industrial capacity is increasing as well as other economic facilities, resulting in a

constantly increasing value of the gross national product.

The existence of a restrictive debt limit plays an important part in the fiscal soundness of the United States. By having this established debt limit, attention can be focused from time to time on the problems of sound Government finance. In my view, the debt limit should be restrictive enough to accomplish this purpose and yet sufficiently flexible so as to permit efficient financing operations of the Federal Treasury. In other words, the Treasury should not be forced into short-term financing both from the point of view of refunding operations and new borrowings when it would be less costly to achieve these purposes with longer term financing.

It is my understanding that on June 30, 1957, after 2 fiscal years of budget surpluses aggregating more than \$3 billion, the public debt subject to the statutory debt limitation was \$270.2 billion. However, as a result of the recession in late 1957 through early 1958, the Treasury incurred a budget deficit of \$2.8 billion in the fiscal year 1958 and will incur a budget deficit of almost \$13 billion during the year that will end on June 30, 1959, based on the President's January budget estimates.

The financing of these budget deficits is now expected to bring the public debt subject to limit to approximately \$285 billion on June 30, 1959—\$2 billion over the present regular ceiling. As a result, President Eisenhower is proposing an increase in the regular statutory limit to \$288 billion, an increase equal to the \$275 billion debt limit in effect at the beginning of the fiscal year plus the estimated deficit for the current year.

This will enable the Treasury to conduct its debt operations with a margin of \$3 billion to allow for flexibility in debt management operations and contingencies. A \$3 billion margin is essential to proper handling of the Government's operations. The Treasury has been operating on an average cash balance of about \$4½ billion during each of the last 3 fiscal years. This is relatively small; the average operating cash balance this year has averaged only 69 percent of average monthly budget expenditures—the lowest percentage for any recent year. The Treasury's cash balance is no higher today than it was a decade ago, when budget spending was half its present rate.

The efficient use of cash balances in this way has, however, gone about as far as it can without impairing efficiency of Treasury operations. There are times when a somewhat larger cash balance would have given the Treasury much needed flexibility in timing its borrowing operations so that it could ride out a period of market apathy for new issues, rather than forcing the Treasury to borrow in an unfavorable atmosphere because it was running out of cash.

Secondly, in addition to maintaining an adequate cash balance the Treasury should also be prepared to sell new issues of securities a week or so in advance of the maturity of old securities if such action would add materially to the success of a particular financing operation.

This was true, for example, of the recently completed May 1959 financing. As part of this financing the Treasury sold \$2 billion of 11-month Treasury bills with an issue date of May 11 to provide most of the funds necessary to pay off a \$2.7 billion Treasury bill issue maturing on May 15. For the intervening 4 days, therefore, there was an increase in debt of \$2 billion. This was possible only because the Treasury had some flexibility under the \$288 billion temporary ceiling. This flexibility was approved by the Congress last summer. Thirdly, the \$3 billion debt leeway provides for sudden demands on the Treasury in event of a national emergency, when the Congress might not be in session.

It is not only necessary but essential to sound financing for the Congress to approve this recommended increase in the debt limit at this time.

Mr. SIKES. Mr. Chairman, I am very reluctant to vote against this bill. I recognize the necessity for meeting the obligations of the U.S. Government. My concern with this vote lies in the fact that I have seen this situation develop many times before. Each time we are told there is no choice; that we must pay our bills and to do so it is necessary to make it possible to borrow more money. In the interim periods there seem to be no realistic efforts to reduce the national debt, or to live within our means, so that these situations can be avoided. There seems to be an acceptance that we can go on and on without a balanced budget and without a systematic plan to reduce the national debt and that Congress will periodically raise the debt limit. Therefore my vote will be in protest against the failure of the administration and of Congress to meet four-square this most serious problem which never can be cured through present policies.

I would cheerfully vote for this bill if provisions were tied to it which offered hope for a correction of the basic reasons for the need for an increased debt limit. I would vote for it if I could see in the actions of the Congress a determination to avoid constant repetition of today's situation. On yesterday the House voted to authorize an additional foreign-aid program of \$3.5 billions. In principle, had that aid not been voted, we would not now be forced to increase the debt limit. Yet we were voting monetary aid to nations which do not have the debt problem which confronts us. In fact our debt is larger than all of theirs combined. We are borrowing money in order to give it away. This is only one example but to me it is one of many examples which just do not make sense.

There is not sufficient acceptance of our own fiscal responsibilities or of our fiscal limitations. I see no indication of change in this distressing policy. Therefore I must vote against it.

I think it would be highly fitting if these deliberations today could include a procedure for reducing the national debt. The experience of the United States in recent years should demonstrate conclusively that unless definite procedures are written into the law for reducing the na-

tional debt, we can anticipate only a continuation of the present constant increase of the national debt in the years ahead. We simply cannot afford to trust to chance to have the national debt reduced.

The public is becoming more and more concerned about the national debt which now stands at a staggering \$283 billion and that the present annual interest charge of \$8.1 billion.

I have joined a number of my colleagues in introducing legislation which would provide a definite method for the reduction of the debt and I sincerely had hoped the great Committee on Ways and Means would give favorable consideration to those bills. My bills are House Concurrent Resolution 199 and H.R. 7589. There are a number of identical bills to accomplish the same purpose.

Mr. Chairman, the American people deserve and expect that a systematic plan for retiring the national debt be established. I feel that we must not continue to let the debt ride along for future generations to be saddled with. Even if we pay off 1 percent of the present debt annually, 100 years would be required to clear the books and return to a debt free status. This is an alarming situation. Yet, to me it is even more alarming that at present we have no systematic plan for reducing and eventually eliminating the national debt. I have heard it said that America owes more money than all other people on earth combined. Constant inflation adds to the gravity of this situation. Fifty-cent dollars are not pleasant to behold and there is reason to anticipate that the situation will get worse. Certainly it will get worse unless this committee seizes the initiative and requires the administration to accept a systematic plan for controlling the national debt.

Several of my colleagues have conducted polls among their constituents and the results have shown that the American people realize their obligation to the Nation and are willing to make further sacrifices in order that the Federal Government might live within its means. But, they want the Government conducted on a businesslike basis. It has often been stated that the U.S. Government is the biggest business in the world. If that is true, it is important that we operate our business according to sound practice. The people realize that no business can survive indefinitely by continuing to go in debt or while paying big interest costs without retiring the principal indebtedness. We are going further in debt and of every dollar paid by the taxpayers in Federal taxes, approximately 11 cents must go for carrying charges on the debt.

Of course, we must provide for a national defense and we must provide necessary programs for the benefit of our citizens. In that connection, it is interesting to note that in these days of great turbulence when we must stay prepared to meet any emergency, it is ironical that the interest to be paid on the national debt for the new fiscal year beginning July 1 will purchase approximately 176 Skipjack submarines at \$46 million each.

Our news media frequently carry stories about the decline in our gold reserve, about the threats of inflation and the drop in the value of the dollar. I contend that the longer we delay taking the necessary steps to reduce the national debt the more fire we add to the menace of inflation and recession. The current national debt of \$283 billion can be represented by a stack of 1,000 dollar bills which reach further into space than any human being has ascended. Unless the present trend is reversed, we can eventually climb that stack of 1,000 dollar bills and reach outer space without missiles and spaceships. I sincerely hope the necessary action will be taken to provide a means for reducing the national debt on a planned program, and that we can avoid a repetition of the action which is requested today.

Mr. LEVERING. Mr. Chairman, we all know our Government must honor its debts, but I am voting today against increasing the debt ceiling for the reason that my investigations heretofore made, reveal that there is no emergency existing at this time to justify such action. I believe it is unfortunate that this bill came to the floor under the closed rule which does not permit a full exploration out in the open as to why the increase to the debt limit has been made at this time. I think we should give serious consideration to the matter of stopping the \$15 billion giveaway proposal and instead cancel the \$15 billion in obligations which have already been paid for, thereby saving the taxpayers several million dollars a year in interest, and possibly a tax reduction.

Mr. ROBISON. Mr. Chairman, it has been hinted here this afternoon that a vote against the Public Debt Act of 1959—H.R. 7749—would be an irresponsible vote.

Now, of course, I am realistic enough to recognize that the bills submitted to the Federal Government must be paid, and on time, no matter how much I may have disagreed with or voted against the spending authorizations that created those bills.

However, as I did last year on a similar occasion, I will vote "No" on H.R. 7749 because, and only because, it provides for a \$2 billion permanent increase in the debt ceiling as well as a \$10 billion temporary increase. If the full \$12 billion was temporary in nature only, I would vote for this bill, or, could an amendment be offered to such an effect, I would support such an amendment.

My reasons are simple of explanation, and I do not regard my conclusions as being, in any way, irresponsible. It seems to me that every time we add to the permanent debt ceiling we are simply admitting defeat insofar as having any hopes of again getting below that limit is concerned. On the other hand, every temporary increase is something we know we are to be called on to wrestle with again. As the able Secretary of the Treasury admits in the committee report it serves to "focus attention in a unique" way on the part this Congress plays in helping establish a policy of either sound or unhealthy finance.

Or, to put it another way, being required, each year, to face up to its fiscal sins of commission is the best spring tonic Congress could possibly have prescribed for it.

Mr. BURDICK. Mr. Chairman, this matter came before the Congress today under a closed rule and with inadequate time for discussion. However, it was pointed out by the Honorable WRIGHT PATMAN, one of the distinguished Members of the House, that inadequate consideration had been given to canceling \$15 billion of bonds which had already been paid for. If that fact is true, no emergency is presented in the matter of the debt limit. Since the statement had not been refuted by any member of the committee during debate, I shall vote against the bill, on the grounds that no emergency is presented to the Congress. But for this fact, I would have voted for the bill under our responsibility to provide the funds to discharge the obligations we have incurred.

Mr. HEMPHILL. Mr. Chairman, last year when the extension of raising the debt limit was brought up before the House of Representatives, I voted against the raising of the debt limit and my vote was a protest vote. I felt at that time that we should make some move in the other direction and I still feel so. I protest again today.

In the hearings before the Committee on Ways and Means of the U.S. House of Representatives on June 12, 1959, I urged the committee to force the administration into some effort towards the reduction of the national debt. Along with my distinguished colleague, JIM WRIGHT, of Texas, I have introduced legislation to start on the road back to security solvency of the United States.

Last year I predicted that the temporary increase would become permanent, and my prediction has come true. This year, I predict that the temporary increase of \$10 billion will become permanent within 24 months.

When are we going to face up to the responsibility. Yesterday, I voted against foreign aid. Yesterday I received a letter from Hon. OTTO E. PASSMAN, Member of Congress from the Fifth District of Louisiana, and a distinguished member of the Appropriations Committee and the chairman of the Foreign Operations Subcommittee, showing the mutual security funds actually available. This total was \$8,766,343,107. Despite these facts which were, or should have been, known to the Foreign Affairs Committee and to the Congress as a whole, the House voted a mutual security authorization which carries us further down the road to financial ruin.

Where are we going to stop? Are we going to continue to see other countries have their currencies appreciate in value and in esteem in the eyes of the world, and ours depreciate? Are we going to surrender to inflation? I believe the administration has done so, and the spending of this administration will go down in history as the worst and the greatest case of fiscal irresponsibility ever in the history of this or any other country governed by a republican form of government.

I am not going to vote for the bill because I feel that we have to reappraise our debt to be sure we need this legislation.

I want this House to know that I stand ready and willing to vote for legislation to cut every part of the budget 10 percent, and to tell those in the administration and agencies to live with what we give them. That is the only way we are going to get on the road back and if austerity be necessary in some of our Government services, then we must force this austerity upon the agencies and the administration if they do not have the courage and the patriotism to do something about this debt.

Mr. Chairman, this is a bad bill because it reflects bad practices by our Government, and the evil purposes by our administration. I hope the people of this country will demand of each national political party in 1960, that the platform declare and bind those parties to a reduction of the national debt and return to financial soundness.

Why is our gold outflow increasing? It is because other countries are making suspicious appraisals at our fiscal soundness. Why are we about to lose the balance of trade? It is because of our policies.

What have we gained by foreign aid spending \$297.9 billion as compared with Russia's \$2.4 billion, or when we think of the countries peoples think that Russia has craft.

We are not going to spend our way to security, prosperity or freedom, and it is high time we realize that.

Thank you.

Mr. REES of Kansas. Mr. Chairman, the legislation under consideration is not a vote to increase the amount of the public debt. The debt has already been increased. This is a vote to legalize the debt.

This legislation has been pretty well explained on the floor of the House today. Unless the ceiling is lifted, it will be a violation of the law for the Treasury to pay any more money to anyone above the amount of ceiling and the ceiling has been reached.

I have voted against a number of appropriations on the ground that I did not think such expenditures were necessary especially in view of the condition of the Federal Treasury. The majority of the House and Senate have seen fit to support such expenditures. In any event, the money is spent or authorized, so the only thing we can do, as I see it, is to protect the Treasury.

I hope it will not be necessary to take such action again in the future, but so long as we approve huge expenditures of funds beyond the amount of our income, there will be little opportunity to lower the debt limit. The money is spent, the debt is increased beyond our income. It is our obligation to take care of that debt. Let me repeat, it is unfortunate that we have to admit we spend more money than we take in, while our people are being taxed to the limit.

Mr. ROOSEVELT. Mr. Chairman, I intend to vote against raising the national debt ceiling for several reasons. Briefly, the reasons are these:

First my vote is a protest vote against the semantic fraud continuously being perpetrated on the American people by the constant emphasis on and constant reference to a "permanent" debt ceiling—I underscore the word "permanent" so there can be no mistake as to the point I am trying to make. Time and time again, when emergency situations have arisen, we have lifted a ceiling which is supposedly permanent. I do not argue here that such emergencies do not require this, but merely to point out that it is about time we recognize the completely misleading impression given to the American people, which obviously results in a public misunderstanding when national debt matters come before this Congress. Many responsible financial experts have so testified countless times.

Frankly, I believe there must be flexibility in the operation of our national financial obligations, and until this matter is approached in such a fashion, I shall continue to oppose the fiction under which we have been viewing the national debt; that is, a debt with a permanent ceiling.

Secondly, Mr. Chairman, and of equal importance, if not greater in the long run, I have yet to be convinced that this administration has made a case for lifting the ceiling and am concerned that while it advocates this, it also advocates simultaneously an increase in the interest rate—both proposals must make the moneychangers jump with joy while Mr. John Q. Taxpayer will be asked to foot the bill for the financial windfall benefiting a select few. Is the administration taking the line of least resistance? I cannot help but think it is. Why, for example, cannot the administration seek other means of obtaining additional revenue? Why has it not advocated, for example, closing some very apparent tax loopholes?

Finally, Mr. Chairman, I could understand the administration's request much more clearly if, as is practiced by corporations, it wished to borrow to increase its assets for future development. There is nothing in the administration's program that calls for future goals to be started now. I, and I know many, many members of my party, would welcome this type of leadership which would propose or support programs of both short- and long-range application, programs that would be good for the American people and hence the Nation.

I might add that many of us are accused of being irresponsible spenders advocating pie-in-the-sky programs, but it might be well to note and to remind such critics that if they take the trouble to look at the programs we advocate, they will find more often than they would like to admit that these programs are self-liquidating and, by adding to the gross national product, would bring in more revenue for the National Treasury.

Mr. ULLMAN. Mr. Chairman, I plan to vote against the legislation now before the Committee. I, for one, refuse to be stampeded into rubberstamping another aspect of the present administration's ill-advised fiscal policies.

I believe it unconscionable for the administration to have waited until the

last minute before coming to Congress with a request for an increase in the debt limit. In effect, the administration is refusing us an opportunity to examine alternative methods of financing.

Mr. Chairman, the administration request embodied in H.R. 7749 is just another example of the high interest rate, tight-money program of economic strangulation which has been saddled on the Nation. The recession last year was a direct consequence of that policy and the loss of Government revenue resulting from that recession is, of course, the crux of our present budgetary problems.

If the legislation now before the Committee is defeated, as I hope it will be, the House Ways and Means Committee will be given an opportunity, as will the administration, to investigate and suggest alternative ways of financing. I need hardly add that such an investigation is long overdue. Moreover, we are all aware that should a fiscal emergency occur, legislation raising the debt limit could be brought to the floor of the House in a matter of hours. For these reasons, I am voting against H.R. 7749 and urge my colleagues to do likewise.

Mr. COLLIER. Mr. Chairman, today, for the third time in a span of 2 years, Congress was called upon to increase the debt limit of the United States. Regardless of the weak justification for the present condition of the Federal Treasury, the fact remains that had we followed a course of fiscal prudence rather than political expediency in this Congress in recent years, we would not be faced with this serious problem today. Fortunately, there are still a comparative few Members of this House who, like I, know that "budget busting" can only result in the inability of the Federal Government to meet the obligations it incurs. Now in the face of another boost in the debt ceiling, it should behoove every taxpayer to look into the voting record of his Representative and place the responsibility for this situation where it properly belongs.

Fiscal prudence is not always politically expedient because one who voted along the lines of sound Government economy is certain to alienate many groups seeking special benefits of one type or another. As has been said many times in the past, Government economy is generally popular except when it deprives some individual or group of a pet project or benefit.

To appease every segment of the voting populace in the interest of political expediency, Congress has become so addicted to the policy of spending more and more money for new schemes and programs that we may well be heading down the "road of no return."

It seems to me that it is about time to lay the cards right on the table. It is time that we give the American people the truth about Federal spending and the cold facts regarding deficit spending. Perhaps even now it is too late—but the fact of the matter is that every dollar the Congress appropriates must be paid by the taxpayers of this country—and the future taxpayers of the next generation. The idea that there is a bottomless pit from which we get money for Federal

spending here in Washington is in reality nothing more than a fantasy of bad psychology. Even in the face of the so-called cold war and the repeated emergencies, Government must live within its means. Fiscal responsibility must be returned to Washington as a demand upon the legislative branch of government.

Even the big spenders in government know full well that deficit spending must stop somewhere. If we were to live under the illusion that the astronomical national debt is immaterial, then we have no business taxing the American people at all. To carry this point further, we could further assume the position that we can operate the Government entirely in the "red" and eliminate taxes completely. Obviously, this is ridiculous.

Government is run by money furnished by the U.S. Treasury. The only place from which this money can come is taxes. When the Treasury runs into debt, it must borrow money to pay its bills or go bankrupt. It is as simple as that. When the Treasury borrows money, it must eventually tax the people to pay this money back. And while it is operating on borrowed money, it is paying interest which again becomes a burden to the taxpayers.

In order to borrow money, the Treasury Department enters the money market to secure a loan. Then inflationary pressure mounts and once again we find this nibbling-away process in operation as the dollar becomes less and less valuable.

Many of us were amazed by stories of the inflation that followed World War I in Germany which became a definite factor in the situation which led to nazism. We were also amazed by stories of inflation which struck Greece and France after World War II. I can recall pictures of men shoveling millions of drachmas into the fire to destroy currency because of inflation in Greece.

And all this boils down to what? Simply that there was never a greater demand upon elected public officials to face the reality of a dangerous situation—a situation which is today worse because we must pay the fiddler for being expedient rather than practical in the handling of Government affairs.

I often wonder how we can impress upon the people of this country the seriousness of deficit spending in Government. How can we impose the philosophy of self-restraint in the interest of preserving the sound internal security essential to the greatness of a nation? The whole matter is disturbing, to say the least—particularly when one views the burden that will be placed upon the shoulders of our children in the generations ahead. Just what good will all the Government-sponsored programs and services be to them if they fall heir to a nation that is tottering on the brink of national bankruptcy—if not already falling into the abyss?

Yes, there are those who contend that this type of fear is something that we never have to worry about. In fact, there is an apathy toward the symptoms of our fiscal sickness. Perhaps even all the facts and figures may fail to dent this apathy or maybe some folks just

do not care about the future as long as the doles are served today. If the majority of the people feel this way, it will be reflected in the attitude of their elected Representatives. But, if we continue along the road we have been traveling in the past 30 years, I can only say, "May the Lord help us as a nation."

Aside from the aspect of fiscal disaster, the tremendous expansion of the Federal Government has other implications which may well be destructive to the foundation of free enterprise upon which this great Nation was established.

The only honest way to meet the problem of Federal spending is to let the American people know that each program the Government assumes is going to come directly out of their tax dollars. Going into debt is a way of not only saddling each taxpayer with an obligation for future payments but likewise automatically reduces the value of everybody's dollar. When the Government spends money, it should face up to the fact that it must tax the people to do so. When the Government spends more money than it derives from taxes, it should increase taxes to meet the overspending rather than run into debt. But prudence in the conduct of Government demands that we keep expenses at a minimum and within the confines of good judgment so that taxes may likewise be kept at a minimum. Hence, instead of the Government spending the individual's money in many cases, folks would have more of their own money to spend themselves.

Because I have voted consistently in a manner that would result in the balancing of our Federal budget since I was first elected to Congress, I voted against the increase in the debt limit today. As I pointed out on the floor of the House yesterday, the majority of the Members of Congress, who supported by their vote the many programs which created spending beyond the bounds of our national income, are morally obligated to vote for extension of this debt limit today since the situation we now face is their responsibility.

Mr. MILLS. Mr. Chairman, I yield 2 minutes to the gentleman from Iowa [Mr. SMITH].

Mr. SMITH of Iowa. Mr. Chairman, I just want to make one observation. I have heard all kinds of talk about all kinds of causes for this debt except the major one. During World War II—and a lot of Members here today were here at that time—there was a decision made to finance World War II by issuing bonds instead of on a pay-as-you-go basis. The debt that was created then came to a total of \$215 billion. The interest that has been paid upon that \$215 billion since World War II, together with the \$215 billion, totals \$290 billion, the total amount of our debt. We have been paying enough taxes to take care of the postwar defense of our Nation on the services for the people, but we have not paid for World War II.

The same people who did not want to pay for World War II at that time still do not want to pay for it now, and want to talk about everything else except the real cause of this debt. It seems to me

it is an insult to the intelligence of the American people for Members of this House to stand up here and talk about the domestic programs being the cause for this debt when actually 75 percent of it was created during World War II and the rest of it equals the accumulation of interest on that debt since that time.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 5 minutes to the gentleman from South Dakota [Mr. BERRY].

(Mr. BERRY asked and was given permission to revise and extend his remarks.)

Mr. BERRY. Mr. Chairman, this is the most important measure Congress will be called upon to enact this session. It is the third time in a year and a half that congressional spending has required the executive branch of Government to come back to Congress asking for an increase in the debt limit because Congress passed these spending laws without providing equalizing tax revenue to meet such spending.

On February 26, 1958, the debt ceiling was increased from \$275 to \$280 billion. On September 2, 1958, the debt ceiling was again increased from \$275 to \$288 billion. Now, 10 months later, another increase in the debt ceiling of \$7 billion is necessary, bringing the total to \$295 billion. As was recently pointed out by Senator BYRD of Virginia:

Never before in the peacetime history of our country have three debt ceiling increases been requested in 16 months.

Senator BYRD added:

No thoughtful person can deny that we are facing a perilous fiscal situation. The solution does not lie in increasing the debt and thereby further stimulating dangerous inflation, which has already begun. The only sane solution to our fiscal problems is to start immediately reducing Federal spending which is in excess of our revenue.

Let me say, Mr. Chairman, that I agree completely with the statement of one of America's outstanding statesmen, Senator HARRY FLOOD BYRD of Virginia. However, there is another solution if the spenders of Congress refuse to slacken their pace, and that is to provide sufficient taxes to equal the increased spending.

It seems to me, Mr. Chairman, that this is a good time for the Congress to seriously consider a proposal I have made for a constitutional amendment—the same being House Joint Resolution 417.

The proposed amendment simply would make it a constitutional requirement that when Congress passes an appropriation measure, the bill be accompanied either by a certificate that such expenditure, when considered with the whole, will not exceed the national income or that the bill incorporate within its provisions a tax measure raising sufficient revenue to cover such authorized expenditure.

Mr. Chairman, Congress dare not continue to push this Nation into economic chaos and bankruptcy. If Congress does not have the intestinal fortitude to say "no" to some of these demands for unlimited spending, then the people of the Nation themselves must assume the responsibility—must take the initiative

and, through passage of an amendment to the Constitution, force this wreckless spending body to use simple judgment in keeping the income equal to the outgo. This can be done by increasing the revenue through taxation when a spending bill is passed.

This is not an original idea. It is a requirement in some of the parliamentary bodies of Europe. It is the only way the people of a nation can force a balanced budget upon politically minded parliamentary bodies.

There are two principal reasons why the debt limit must be increased today. The first is a new philosophy that has grown up that it is the obligation of the Federal Government to assist local communities, local groups, and individuals in doing for those local governments, local groups, and individuals the things that in the past have been considered their obligation instead of the obligation of the Federal Government. It is a philosophy of shifting the responsibility to a higher level of government, primarily because local governing bodies are reluctant to levy taxes on their own and their neighbors' property to pay for these local improvements. They in turn seek to shift the obligation to a higher level of government whose governing body is further removed from the taxpayer, and thus is more difficult for the taxpayer to contact. The second cause of the build-up of this new philosophy is that most States and local governments have legal and constitutional debt limitations, whereas the Federal Government has no effective debt limitation.

If these local burdens can be shifted to the Federal level, they can be added to the national debt and everyone can go merrily on his way with the local community saving itself the present burden of taxation. Members of Congress obtain credit for getting something for their people at home and the American taxpayer postponing until tomorrow the day when the tax collector may demand his pound of flesh.

As I indicated at the outset, Mr. Speaker, this rush to the Federal Treasury will not be stopped until the people of the Nation chain and padlock both the front door and the back door of the Treasury with a provision in the Constitution prohibiting an expenditure of funds until an equal tax revenue has been levied. Last year I cast an irresponsible vote when the debt ceiling increase was before the House. I voted against it because I felt that somehow Congress and the American people had to be awakened from their lethargy. Further than that, had my votes and the votes of those of us in the minority who believe in balanced budgets prevailed, there would be no need for an increase in the debt limit. It is time for Congress to stop, look, and listen. Falling in that, the American people must assume the obligation and place a limitation in the Constitution of the United States compelling a balanced budget.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois [Mrs. CHURCH].

(Mrs. CHURCH asked and was given permission to extend her remarks.)

Mrs. CHURCH. Mr. Chairman, I had not intended to speak on this measure, but it has become apparent to me during the debate today that someone should speak for the millions in this country who know that the only way to avoid borrowing is to cease overspending. I am certainly not an international financier, nor a specialist even in national finance. I do not carry the responsibility of being a member of the House Committee on Ways and Means. From a different perspective, perhaps, it has appeared to me that there might be an opportunity and a need for an average citizen like myself to speak and answer this continuing and repetitive argument that we have to keep the credit of our Government good—and that the only way to keep the credit of our Government good and to pay our bills is by indulging in this continuous increase of the public debt limit and further public borrowing.

Mr. Chairman it is fatuous to attempt to parallel this situation with family spending, as has been done. Government spending should be done as carefully as family spending, but I have seen no evidence of such wisdom here. A family handles its finances very differently—or it rapidly has to admit that it has no finances at all. This happens to be the sixth time in my 9 years in the Congress that I have been asked to increase the national debt. Each time, the chairman and the ranking member of the Committee on Ways and Means carrying, as I say, this heavy burden and responsibility for which I respect them greatly, have made the same plea. They have eloquently argued that the proposed increase was necessary to maintain fiscal solvency, to uphold national credit and to pay our bills. I will say to you very simply, Mr. Chairman, there is only one way to obtain solvency, or to escape from inflationary deficit spending—and that answer is not to increase the debt. The answer is to exert pressure on the Members of Congress, on the responsible Members of the Congress particularly, to stop excessive Federal spending.

Mr. Chairman, I happen to have had, from the galleries of this House, a long experience. I remember that in early 1935, when I first sat in the gallery, the national debt of this country was not far above \$25 billion. I happen to remember the occasion in 1939 when the House voted to increase the limit to \$45 billion. Mr. Chairman, there was thought then among responsible Members of the House that there should be a halt. I admit that there have been two wars, and fear of war. The question we must face, however, is the continued deficit spending of this very Congress. I was tremendously impressed last week when the chairman of the House Committee on Rules pointed out that at this very moment there are pending before the Committee on Rules or on their way to that committee, authorization bills calling for the expenditure of an estimated \$10 billion. Mr. Chairman, I would most respectfully point out that the pressure in this instance should be not to let off the steamcock that holds back the steam, but if I may use that homely term, to turn the steam on the Members

of Congress who do not seem to know that if they keep on spending, somehow or other they must go on borrowing. Very frankly, Mr. Chairman, I think back to the first time, in 1954, when I was asked to vote to increase the national debt. Naively, I admit, but because I was tremendously concerned lest my natural instinct to vote against an increase in the national debt might result in a denial of my own responsibility, I went out and put through a call to the office of Senator BYRD of Virginia. I would not presume at this time to burden that honored gentleman with my question, but I then asked whether Mr. BYRD thought that the increase in the national debt was the only answer. Well, Mr. Chairman, the next day, the response not having come before then, I was summoned to the telephone as the roll was called. The Clerk had just called the first name starting with the letter "C" when word came that the gentleman from Virginia in the other body was himself not going to support the requested increase in the national debt limit; that he thought that the appropriate answer was to stop spending.

I accepted his advice, good now as then.

Mr. Chairman, I have never voted to increase the debt limit. This denotes no lack of sense of fiscal responsibility, but rather a long-range sense of protection of my country. I claim that there has to be somewhere in this House a protest vote against continued excessive and unnecessary spending.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 5 minutes to the gentleman from Iowa [Mr. GROSS].

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, if I remember correctly, the chairman of the committee, the gentleman from Arkansas [Mr. MILLS], earlier this afternoon said that this legislation was made necessary because of spending prior to the end of this fiscal year. I recall that not so long ago the House voted \$1,375 million to increase the capital of the International Monetary Fund and the International Bank for Reconstruction and Development. That was piled into this year's deficit, deliberately piled into this year's deficit, and is a charge against the Federal debt. About the same time, \$150 million was voted in a supplemental appropriation bill for the Development Loan Fund. This also was charged to this year's spending. That is a total of more than a billion and a half dollars, not a dollar of which is going to be spent in the next fiscal year, because they could not possibly establish the programs and spend the money in this fiscal year.

I recall, also, that a couple of years ago the House suspended British debt payments. I recently asked the Library of Congress to prepare for me a statement of the British debt owed to the United States and was informed that it amounts to between \$12 billion and \$13 billion, all payments on which have been suspended. It would not be necessary to have this legislation before us today if we were getting a substantial part of the money that is owed to us by the British Govern-

ment. Payments were suspended, however, for a period, if I remember correctly, of 8 years. No payments on either principal or interest, and that money is loaned at 2 percent interest, incidentally.

Mr. Chairman, it is not often that the House has the opportunity twice within 24 hours to vote on issues that deal as heavily and directly with the finances of this country. However, it is entirely fitting that within this 24-hour period there should be a vote on the multi-billion-dollar foreign giveaway program and another on increasing the Federal debt limit to a staggering \$295 billion.

I declined to take off on that flight of foreign-aid spending yesterday, and I have no intention of taking off on this debt increase flight today. I just do not care for the crash landing that is inevitable.

Moreover, I want to be in the consistent position of being able to vote to sustain a Presidential veto of both the foreign handout bill and this legislation to increase the debt limit, since neither of these proposals is consistent with the administration's campaign for a sound dollar and other sound fiscal policies.

I regret that this measure comes to the floor under a closed rule, for I would like to have offered as an amendment the bill I have introduced to provide for mandatory annual budgets and mandatory annual payments on the Federal debt. Only in this way can fiscal sanity be restored.

This Government is in deep financial trouble. The road we are traveling leads inevitably to chaos and bankruptcy. The temporary and expedient answer of the spenders is to increase the debt ceiling and load the children of today and tomorrow with hopeless mortgages of debt. To this I am unalterably opposed.

Mr. ROOSEVELT. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from California.

Mr. ROOSEVELT. Does the gentleman know whether there is any emergency which requires action today?

Would it not be well to postpone this so that we could go into the suggestions made by the gentleman from Texas [Mr. PATMAN] and others to see whether this is actually necessary as of this moment?

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Arkansas.

Mr. MILLS. I can assure the gentleman that there is an emergency with respect to this matter. The legislation has to become law by midnight June 30 if the Secretary of the Treasury is going to pay bills that might put him in excess of the \$283 billion debt. We know, on the basis of information presently available to us, that there will be such bills within a few days after the 1st of July, if not on the 1st of July, and that it is actually going to be about \$285 billion.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 3 minutes to the gentleman from California [Mr. GUBSER].

(Mr. GUBSER asked and was given permission to revise and extend his remarks.)

Mr. GUBSER. Mr. Chairman, the remarks I will make here today will be the ultimate in simplicity. They will be nothing more than a restatement of simple facts which any fourth grader knows and understands.

This is my 7th year in Congress and I have heard this debate several times. It always assumes the same pattern. One side accuses the other of spending the country into bankruptcy, and the other side lays it on the administration. Those who seek to blame the President overlook the simple truth about which I would like to speak.

In every family in America it is well known and accepted by the members of that family that the parents decide how much is going to be spent. The parents also have direct control over the income which comes to the family to pay for the obligations which it incurs.

This Congress is not any different from any other family. I do not think anyone on this floor can name a single penny which can be expended out of the Federal Treasury which is not authorized or appropriated by this Congress. No one can point to a single penny which comes to the Treasury of the United States which is not made possible by a tax enacted by Congress.

You can try to shift blame to the Federal Reserve Board or blame the administration. You can say that the administration manipulates the bond market, the interest rate, and meddles with the gross national product. You can dodge and duck all you wish but if Congress wants to create a sound fiscal structure it has the power to do so. The Federal Reserve Board, which has been criticized here today, can be controlled by Act of Congress. So can the other things of which we speak.

It all comes down to this simple, basic fact: This Congress, like the parent in the family, has the sole and exclusive ability to manage our fiscal affairs. The gentleman from Missouri [Mr. CANNON], the distinguished chairman of the Committee on Appropriations, said on this floor not long ago that it is this Congress which is responsible for the financial situation in which we find ourselves today. I believe he is eminently correct.

I suggest, having listened to these arguments for 7 years, that the Congress stop using its tables and its fancy figures to shift blame back and forth but step up and assume its constitutional responsibility to raise the revenue to pay the bills it, and it alone, creates. If this Congress wishes to write a liberal record then let it have the moral courage to enact the taxes to pay for that record. If we do not want to do this then let us quit spending.

It is just that simple.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois [Mr. DERWINSKI].

(Mr. DERWINSKI asked and was given permission to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Chairman, it is surprising that on an issue that has so much potential political turmoil, our discussion has tended to be as practical,

realistic and nonpartisan as it has. I might, for example, point out to the gentleman from Iowa [Mr. SMITH] who spoke a few minutes ago, that I disagree completely with his observations and his political philosophy, but I cannot help having complete respect for his sincerity and his obvious attempt to solve the problem which we have before us.

I would, if possible, like to make a few political references and at the same time be diplomatic. A year from now, a major political campaign will be in full progress. The pattern for political debate has already been set. We Republicans truthfully will call the Democrat Party budget busters, and they will reply by calling us mossbacks who are outmoded in our conception of present and future Government development. However, we will cross that bridge when we come to it.

One of the interesting questions the campaign presents is that should the voters of the country make some mistake in the Presidential election in 1960 and elect the Democratic candidate for President, you gentlemen may find yourselves in this embarrassing position: Your President will, among other things in his honest and sincere way, attempt to reduce the national debt. He will say that we must cut spending, we must reduce taxes. But this Congress and past Congresses have built into the Federal budget spending programs which the future Congresses will not be able to curtail. We have had a dozen issues here this year where the difference has been a question of dollar amounts and not of approving or disapproving a program. Do we spend \$200 million or \$100 million? Do we spend \$50 million or \$100 million? The question is why should we have spent the first dollar in so many of these unnecessary spending programs.

I would like to suggest that with the seriousness and the obvious sincerity and intelligence that most Members of Congress are giving to this debate, we forget politics and concentrate first of all on stopping the present spending programs. Second, let us stop dreaming of new spending programs, even if they are claimed to be temporary, since we know they are going to become permanent. I cannot speak for the rest of the Members, but I receive 50 to 100 letters a day. The taxpayers and voters of my district are concerned with one thing, and that is Government spending and a tax reduction.

Mr. Chairman, let me make my position clear and state that I cannot in good conscience support this measure and must vote against both the raising of the permanent debt ceiling and the temporary debt ceiling.

I do so, not with any politically inspired thinking, but in my sincere belief that vigorous opposition must be maintained on behalf of the taxpayers of our country against the philosophy that our national debt may be constantly increased.

I believe we all agree privately, if not publicly, that this is not a popular choice and, if at all possible, should be avoided. The administration is certainly not to

blame, since we realize from the problems that the Treasury Department has in managing the Federal debt that this action is absolutely necessary. Who is to blame for this constant pyramiding of our national debt that represents a costly and ever-growing burden upon the taxpayers of future generations?

First of all, Congress is to blame by shirking its responsibilities to citizens and repeatedly bowing to the pressure of special-interest groups who demand excessive and irresponsible spending programs to benefit their pet projects. These special-interest groups must bear the responsibility for the ever-growing spending here in Congress, since they fail to explain to the recipients of Government spending that what Government spends it must first extract from citizens in the form of taxes. No citizen ever receives something for nothing from Government. If he personally does not contribute taxes, the very least he surrenders when Federal spending and Federal authority are increased is a degree of freedom.

The public should bear a large part of the responsibility, since only infrequently is there the realization that Government spending comes from each individual and in the long run, when demanding unnecessary and excessive governmental programs, a citizen is actually working against the long-range solvency and soundness of his country.

Mr. Chairman, I wish to make it perfectly clear that if I had the deciding vote I would have to cast my vote for a temporary increase in the debt ceiling. It is obvious, however, that, despite the vigorous and, in too many cases, politically inspired oratory that is being indulged in this afternoon, an overwhelming number here will vote to increase the debt ceiling.

I, therefore, join the handful of others who assume the often unpopular and misunderstood position of voting "no" in order to remind the responsible leaders of the administration, responsible Members of Congress and the taxpaying citizens of this country that there is constant, firm, vigorous opposition to increasing the Federal debt, and this opposition must emphasize the undeniable fact that Government spending programs must be drastically reduced in order to maintain the value of our dollar.

Mr. Chairman, we are not only concerned with the present; it is the future of our Nation and the generations to come who must receive our most serious consideration. Let me reemphasize that I am not "crying wolf" when I say that the real danger to America is not the threat of conquest by the Communist world, but the internal collapse that threatens us by virtue of the socialistically inspired, irresponsible spending programs in the United States itself.

The "no" vote that I must cast is actually an affirmative vote in support of the broad concept that reduction of Government spending, decentralization of Government, reducing and removing the shackles of bureaucratic control from our Nation's economy, and it is an affirmative voice in calling to the attention of the taxpaying voter that when

his Government is spending, it is his own personal money that is being spent—oftentimes against his best interest.

Mr. Chairman, I think if we could give them their wishes, regardless of the political implications this action could have at any given time, I believe we will be building a stronger and sounder America.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. BYRNES].

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Chairman, as this debate has proceeded, I think we have at times gotten a little off the basic issues. We have heard talk about interest, talk about the money policy of the Federal Reserve Board. I would remind the House that we should very shortly have before us legislation where the discussion of interest and discussion of Federal Reserve Board policies will be entirely appropriate. I would hope that the committee, acting responsibly, as it always does, will report out legislation in connection with the request of the administration to give the Secretary of the Treasury the proper tools for a more efficient management of our public debt. In anticipation of that and as the result of some of the comments that were made today about interest, just let me call your attention to what I think was a very splendid editorial on this subject that I inserted in the RECORD the other day. You will find it at page A5235 of the RECORD. It is an editorial from the St. Louis Post-Dispatch. Let me just quote a few sentences from it at this time, but I would like to ask that all of you read the editorial in full. I would also ask that you read the statement of the Secretary of the Treasury as it appears in our hearings on this legislation. Let me quote from the St. Louis Post-Dispatch:

As with the ancient dream of eating one's cake and having it too, the hope of simultaneously enjoying the best of two possible worlds has a strong grip on some Senators and Representatives. They would like to enjoy both the full employment of boom times and the low-interest rates of depression times. Who wouldn't? But up to now nobody has been able to figure out a safe way of doing both at the same time.

Easy credit is a consequence of expression of underemployed resources, and relatively tight money is the price that usually must be paid for good times. Though it is proper for the Government to do everything possible to mitigate the effects of tight money, making credit fairly available to all sectors of the economy, no way has yet been devised of generally depressing the price of credit during a boom without adding inflationary pressures.

Nor has anybody figured out a practical, noninflationary way by which the Government can segregate itself from the influences that affect credit for everybody else. When the Treasury borrows money, it must compete with other borrowers. If the other borrowers can and do pay higher interest rates than does the Government, the public in peacetime is not going to rush its money into Government securities no matter how many patriotic appeals are addressed to it.

Now, it seems we have some magicians here in the House who apparently have

found a way in their own minds to give us the benefit of these two worlds at the same time.

Let me also make a comment with respect to the Federal Reserve Board. One can readily differ with the Board as to whether or not it has been too restrictive in the amount of currency and credit that have been available to become a part of our money stream and whether it should be loosened, but let me call the attention of my friends to this fact, that the Federal Reserve Board is an independent agency.

Now, the gentleman from Wisconsin [Mr. REUSS], was trying to put the responsibility for the money supply upon the administration as such; that it was the administration policy. And, I suggested to him at that time that the Federal Reserve was an independent agency. I will grant to my colleague that theoretically it is an arm of the Congress, but if he is going to insist that it is an agency of the Congress as such, then I would point out to him that this Congress has been in the control of the Democrat Party for some considerable period of time.

No. 2, Mr. Chairman, let me say this: I referred to the fact the present chairman of the Federal Reserve Board, Mr. Martin, was a former Under Secretary of the Treasury under President Truman, when Mr. Snyder was the Secretary. I do not say that in any way critical of Mr. Martin, because in my book we in this country are lucky, real fortunate, in having at the head of the Federal Reserve Board a man of the capacity and ability of Mr. Martin.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Wisconsin.

Mr. REUSS. I would ask my colleague, the gentleman from Wisconsin, whether the administration or the Republican Policy Committee, of which he is chairman, is prepared to repudiate the performance of the Federal Reserve System.

Mr. BYRNES of Wisconsin. No, I am not.

Mr. REUSS. Does the gentleman approve it? Does he say it is good?

Mr. BYRNES of Wisconsin. I do not say that they have not made mistakes any more than I would say that I have never made a mistake. But I will say basically that I am glad we have the Federal Reserve Board as we have it today. I am glad that we have Mr. Martin as its Chairman, and I am glad that they have been pursuing some of the policies they have pursued. They are trying to save us from the catastrophe of inflation and in that battle I wish them success.

Mr. REUSS. Mr. Chairman, will the gentleman yield further?

Mr. BYRNES of Wisconsin. I am sorry I cannot yield further. I would like to come to the real issue we have before us today and that is the question whether we shall vote to increase the debt ceiling. Let us understand this fact. The money has been spent. There is nothing we can do about turning the clock back, much as we would like to. Many of us certainly would like to turn

the clock back with respect to some of the expenditures that have been made. But the money has either been spent or the orders for the goods and services have been placed. The bills will be coming due. The issue before us is only whether or not the Federal Treasury will have the capacity to meet those bills, to pay them when they are presented for payment. That is the fundamental issue here before us.

The gentleman from California [Mr. ROOSEVELT] inquired as to what was the urgency of this. The public debt already incurred is now and will, in just a couple of weeks, on June 30, be \$285 billion. That is within the statutory debt limit today. But let us remember that the statutory limit goes down under the law on June 30, to \$283 billion. So the state of the law and the state of the debt, unless we act and the other body acts and the bill is signed by the President before June 30, will be that we will have a debt of \$285 billion, but with a limitation on the amount of the debt that can be outstanding of only \$283 billion.

What about the little holder of an E<sup>B</sup> Bond who comes in on July 1 and says, "I bought this bond and you said you would redeem it at any time; it has run its course; I need the money." The Secretary of the Treasury would have to say, "No, I am sorry, we are broke."

The Secretary of the Treasury must borrow money to pay salaries. Unless we pass this bill he will have to say, "No, I cannot pay you. We have no money and the Congress won't permit me to borrow."

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I am sorry, I cannot yield at this time. I know the gentleman is a wizard and has some real gimmicks that can get us out of all this trouble. We could spend from here to eternity without any regard to anything, and he would find a way to take care of it, and without any further taxes, I suspect. He would start the printing presses rolling and get us into the greatest inflation this or any other country has ever seen.

Mr. PATMAN. Mr. Chairman, will the gentleman yield now, since he has referred to me?

Mr. BYRNES of Wisconsin. I am sorry, I refuse to yield.

Let me point this out. This bill does not either increase or reduce expenditures by one thin penny. We talk about billions every day, but this does not affect expenditures of one penny by this Government. That has been done in other legislation, authorization bills, appropriation bills, this, that, and the other. But this bill does not affect that.

Mr. Chairman, let me say this further. If we do not pass this bill, the results may well be one of the greatest catastrophes that has ever faced this Nation. The Government of the greatest country on earth would not be able to pay its bills. We had a bad time in 1929, but at least the Government then was able to pay its bills. If we get to a point where the Federal Government cannot pay its bills, and their credit is gone, you will have the greatest catastrophe we have ever faced.

Of course, if that happened, we would be back here so fast, passing this bill, that it would make your head swim. But great damage would have been done already.

Why are we in this situation? We are in this situation because we have authorized and committed the Government of the United States to expenditures beyond its income. It is just as simple as that. When I say "we," I mean the Congress of the United States.

Now, maybe there are some Members who live in a dream world where they feel they can turn their backs on the facts. It has been said by some, "I didn't vote for the spending; I didn't cause the conditions in which the Treasury now finds itself. I, therefore, am not going to vote for this bill." If that could be considered good logic, I certainly would be justified in voting against this bill. I cannot follow their logic. When we individual Members of Congress vote on the basis of whether or not we caused the condition giving rise to the need for legislation, the country will indeed be in a sad way. Mr. Chairman, every Member of Congress must face up to his responsibility and face up to the situation, not as he would like to have it, not the way he would want it, but the situation as it exists. The fact that every Member of Congress must face is that the Congress, of which he is a Member, has by a majority vote ordered expenditures beyond our Government's income. For any Member to turn his back on that fact and suggest that he is justified in letting somebody else worry about how the bills are to be paid would be acting just like the fireman who sees a fire but says, "I am not going to help put that fire out because I did not cause it." We would have a fine state of affairs if our fire departments took the attitude that the only fires they would put out were the fires they themselves created.

My colleague, the gentleman from Louisiana [Mr. BOGGS], said a number of things this afternoon with which I would have to disagree, but when he said, "We can demagog all we want, but the problem is not going to disappear," he was 100 percent right. We have to meet the problem which will confront the Treasury on June 30 and the only way to meet that problem is to enact this bill.

Mr. MILLS. Mr. Chairman, we have no further requests for time in general debate.

The CHAIRMAN. All time has expired.

Under the rule, the bill is considered as having been read for amendment.

The bill is as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 21 of the Second Liberty Bond Act, as amended (31 U.S.C., sec. 757b), is amended to read as follows: "The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate \$285,000,000,000 outstanding at any one time."*

SEC. 2. During the period beginning on July 1, 1959, and ending on June 30, 1960,

the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act, as amended, shall be temporarily increased by \$10,000,000,000.

SEC. 3. This Act may be cited as the "Public Debt Act of 1959".

The CHAIRMAN. Under the rule, no amendments are in order to the bill except amendments offered by direction of the Committee on Ways and Means.

Are there any committee amendments?

Mr. MILLS. There are no committee amendments, Mr. Chairman.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. ANFUSO, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 7749) to increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time, pursuant to House Resolution 300, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. PATMAN. Mr. Speaker, I have a motion to recommit.

Mr. MASON. Mr. Speaker, I offer a motion to recommit, which is at the Clerk's desk.

The SPEAKER. The gentleman from Illinois [Mr. MASON], a member of the Committee on Ways and Means, and in the minority, has the right to make the motion to recommit.

Is the gentleman from Illinois opposed to the bill?

Mr. MASON. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. MASON moves to recommit the bill, H.R. 7749, to the Committee on Ways and Means.

The SPEAKER. The question is on the motion to recommit.

The question was taken; and on a division—demanded by Mr. PATMAN—there were—ayes 24, noes 127.

So the motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. PATMAN. Mr. Speaker, I ask for a division.

Mr. CURTIS of Missouri. Mr. Speaker, I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 225, nays 117, not voting 62, as follows:

[Roll No. 94]

YEAS—225

Addonizio	Auchincloss	Beckworth
Albert	Avery	Belcher
Alger	Ayres	Bennett, Fla.
Allen	Baker	Bennett, Mich.
Andersen,	Baldwin	Bentley
Minn.	Barrett	Betts
Anfuso	Bass, Tenn.	Blatnik
Arends	Bates	Boggs
Aspinall	Baumhart	Boland

Bolling	Griffin	Murray
Bolton	Halleck	Natcher
Bowles	Halpern	Neisen
Boyle	Hardy	Nix
Brademas	Harris	Norblad
Brewster	Harrison	Norrell
Brooks, La.	Hays	O'Brien, Ill.
Brooks, Tex.	Hébert	O'Hara, Ill.
Broomfield	Hechler	Osmer
Brown, Ga.	Herlong	Ostertag
Brown, Mo.	Hess	Perkins
Brown, Ohio	Holland	Pfost
Broyhill	Holtzman	Philbin
Burke, Ky.	Horan	Pilcher
Burke, Mass.	Hosmer	Pirnie
Byrne, Pa.	Huddleston	Poage
Byrnes, Wis.	Ikard	Porter
Cahill	Irwin	Preston
Carnahan	Jarman	Price
Carter	Jennings	Prokop
Casey	Johnson, Calif.	Quigley
Chamberlain	Johnson, Colo.	Rains
Chenoweth	Johnson, Md.	Randall
Chiperfield	Johnson, Wis.	Ray
Coad	Jones, Ala.	Reece, Tenn.
Coffin	Judd	Rees, Kans.
Conte	Karsten	Reuss
Cooley	Karth	Rhodes, Ariz.
Corbett	Kasem	Rhodes, Pa.
Curtin	Kastenmeier	Riehlman
Curtis, Mass.	Kearns	Riley
Curtis, Mo.	Kee	Rivers, Alaska
Daddario	Keith	Rivers, S.C.
Dague	Kelly	Roberts
Daniels	Kilburn	Rodino
Davis, Tenn.	Kilday	Rogers, Colo.
Dawson	King, Calif.	Rogers, Mass.
Delaney	King, Utah	Rooney
Denton	Knox	Saund
Derounian	Kowalski	Schenck
Dingell	Lafore	Shelley
Dixon	Landrum	Shipley
Donohue	Lane	Simpson, Pa.
Dooley	Langen	Sisk
Dorn, N.Y.	Lankford	Slack
Downing	Latta	Smith, Miss.
Doyle	Lesinski	Smith, Va.
Dulski	Libonati	Steed
Durham	Lindsay	Stratton
Dwyer	McCulloch	Stubblefield
Edmondson	McFall	Sullivan
Elliott	McGinley	Taber
Everett	McIntire	Teague, Calif.
Fascell	Machrowicz	Thomas
Feighan	Madden	Thompson, N.J.
Fenton	Magnuson	Thomson, Wyo.
Fisher	Mahon	Thornberry
Flood	Marshall	Toll
Fogarty	Martin	Trimble
Foley	Matthews	Udall
Forand	Morrow	Vanik
Ford	Metcalfe	VanPeit
Frazier	Miller	Van Zandt
Frelinghuysen	Clem	Vinson
Friedel	Miller	Wainwright
Fulton	George P.	Wallhauser
Gallagher	Miller, N.Y.	Wampler
Garmatz	Milliken	Watts
Gary	Millis	Weis
Gathings	Mitchell	Westland
Gavin	Moorhead	Withrow
Gialmo	Morgan	Wolf
Glenn	Morris, Okla.	Wright
Goodell	Moss	Yates
Granahan	Multer	Young
Gray	Mumma	Younger
Green, Pa.	Murphy	Zablocki

## NAYS—117

Abbitt	Chelf	Hargis
Abernethy	Church	Harmon
Adair	Clark	Hemphill
Alexander	Collier	Henderson
Alford	Colmer	Hiestand
Anderson,	Cunningham	Hoeven
Mont.	Davis, Ga.	Hoffman, Ill.
Andrews	Dent	Hoffman, Mich.
Bailey	Derwinski	Hogan
Baring	Devine	Holt
Barr	Dowdy	Hull
Becker	Evins	Jensen
Berry	Flynn	Johansen
Bitch	Flynt	Jonas
Bosch	Forrester	Jones, Mo.
Bray	Fountain	Kilgore
Breeding	George	Kitchin
Brock	Grant	Lalrd
Budge	Green, Oreg.	Lennon
Burdick	Gross	Levering
Burleson	Gubser	Lipscomb
Cannon	Haley	McDonough
Cederberg	Hail	McGovern

McMillan	Quie	Smith, Kans.
Mack, Wash.	Robison	Springer
Mason	Rogers, Fla.	Taylor
Minshall	Rogers, Tex.	Teague, Tex.
Moeller	Roosevelt	Thompson, Tex.
Montoya	Roush	Tollefson
Morris, N. Mex.	Rutherford	Ullman
Moulder	Saylor	Utt
O'Konski	Scherer	Weaver
Oliver	Schwengel	Wharton
Passman	Scott	Whitener
Patman	Selden	Whitten
Pelly	Sikes	Wier
Pillion	Siler	Williams
Poff	Simpson, Ill.	Winstead
Powell	Smith, Calif.	
Pucinski	Smith, Iowa	

## NOT VOTING—62

Ashley	Griffiths	Morrison
Ashmore	Hagen	O'Brien, N.Y.
Barden	Healey	O'Hara, Mich.
Barry	Hollifield	O'Neill
Bass, N.H.	Jackson	Rabaut
Bonner	Keogh	Rostenkowski
Bow	Kirwan	St. George
Boykin	Kluczynski	Santangelo
Buckley	Loser	Sheppard
Bush	McCormack	Short
Canfield	McDowell	Spence
Celler	McSweeney	Staggers
Cohelan	Macdonald	Teller
Cook	Mack, Ill.	Thompson, La.
Cramer	Mailliard	Tuck
Diggs	May	Walter
Dollinger	Meador	Widnall
Dorn, S.C.	Meyer	Willis
Fallon	Michel	Wilson
Farbstein	Monagan	Zelenko
Fino	Moore	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. McCormack for, with Mr. Tuck against.  
 Mr. Keogh for, with Mr. Ashmore against.  
 Mr. Bass of New Hampshire for, with Mrs. St. George against.  
 Mrs. May for, with Mr. Bow against.  
 Mr. Widnall for, with Mr. Moore against.  
 Mr. Barry for, with Mr. Short against.  
 Mr. Healey for, with Mr. Dorn of South Carolina against.  
 Mr. Buckley for, with Mr. Cramer against.  
 Mr. Mailliard for, with Mr. Bonner against.  
 Mr. Morrison for, with Mr. Fino against.  
 Mr. Celler for, with Mrs. Griffiths against.  
 Mr. Zelenko for, with Mr. Diggs against.  
 Mr. Walter for, with Mr. Willis against.  
 Mr. Dollinger for, with Mr. Thompson of Louisiana against.  
 Mr. Teller for, with Mr. Barden against.  
 Mr. Farbstein for, with Mr. Macdonald against.

Until further notice:

Mr. Santangelo with Mr. Bush.  
 Mr. O'Brien of New York with Mr. Canfield.  
 Mr. Cook with Mr. Wilson.  
 Mr. Fallon with Mr. Michel.  
 Mr. Monagan with Mr. Jackson.  
 Mr. Sheppard with Mr. Meador.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

### GENERAL LEAVE TO EXTEND REMARKS AND INCLUDE EXTRANE- OUS MATTER

Mr. MILLS. Mr. Speaker, I ask unanimous consent that those Members desiring to do so, who spoke on the bill in Committee of the Whole, may be permitted to include extraneous matter in their remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

### ADJOURNMENT UNTIL MONDAY NEXT

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that when the House adjourns today, it adjourn to meet on Monday next.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

### DISPENSING WITH CALENDAR WEDNESDAY NEXT WEEK

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule may be dispensed with on Wednesday next.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

### PROGRAM FOR THE WEEK OF JUNE 22

(Mr. HALLECK asked and was given permission to address the House for 1 minute.)

Mr. HALLECK. Mr. Speaker, I asked for this time for the purpose of inquiring of the acting majority leader concerning the program for next week.

Mr. ALBERT. Mr. Speaker, in response to the inquiry of the distinguished gentleman from Indiana, the minority leader, there is no further program for this week.

Monday is District Day. There is no business.

There are three privileged matters which will take only a matter of minutes, I understand, from the House Administration Committee. One is House Concurrent Resolution 170, the printing of the Abraham Lincoln Ceremonies.

House Resolution 258, printing of the report on communism.

S. 602, Memorial, Boy Scouts of America.

H.R. 3, State laws, rules of interpretation. That would be the adoption of the rule and general debate on Monday.

Mr. HALLECK. Mr. Speaker, can the gentleman tell us how much time is provided under the rule for general debate on that bill?

Mr. ALBERT. Five hours, I will say to the distinguished gentleman.

On Tuesday and the balance of the week: It is hoped that we may finish H.R. 3 under the 5-minute rule on Tuesday. The Private Calendar will be called on Tuesday.

Also a conference report on S. 57, the Housing Act of 1953.

In addition to H.R. 3, to which I have referred, there will be S. 1120, reserves, Federal Reserve Act; H.R. 4957, courts, admission of evidence; and H.R. 4049, airline pass privileges.

There are the usual reservations that any further program may be announced later and conference reports may be brought up at any time. There may be one or two conference reports on appropriation bills.

Mr. HALLECK. Mr. Speaker, may I make one further observation and per-





# Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF  
BUDGET AND FINANCE

(For Department  
Staff Only)

Issued June 26, 1959  
For actions of June 25, 1959  
86th-1st, No. 106

## CONTENTS

Acreage allotments.....	24
Adjournment.....	12
Agricultural	
appropriations....	3,11,26
Alaska.....	25
Appropriations	
.....	3,11,20,26,32
Banking.....	30
Budget.....	6,18
Civil defense.....	20
Claims.....	20
Contracts.....	27
Dairy.....	14
Farm labor.....	10
Farm program.....	19
Federal-State	
relations.....	8,17
Food for peace.....	7
Foreign aid.....	4,32
Foreign currencies.....	4,9
Foreign trade.....	5
Forestry.....	13

Information.....	31
Land management.....	20
Legislative program.....	11
Minerals.....	13
Monopolies.....	29
Mutual security.....	4,32
Ocean freight.....	4
Outdoor recreation.....	20
Price supports..	1,22,23,24
Public debt.....	2
Public Law 480.....	4,9
Regulatory agencies.....	23
River basin.....	20
State laws.....	3,17
Surplus commodities.....	4
Technical cooperation....	4
Tobacco.....	1,22,23
Transportation.....	15,21
Wheat.....	1,24
Wilderness.....	16

HIGHLIGHTS: Senate received vetoes of wheat and tobacco bills. Sen. Cooper criticized veto of tobacco bill. Senate passed bill to increase public debt limit. Sen. Morton introduced and discussed tobacco price support bill.

## SENATE

1. WHEAT; TOBACCO; PRICE SUPPORTS. Received from the President veto messages on S. 1968, the wheat bill (S. Doc. 33), and S. 1901, the tobacco bill (S. Doc. 32 p. 10876  
Sen. Cooper criticized the veto of the tobacco bill and stated that he would consult with representatives of the "tobacco States in Congress" and others "before I make a decision as to the course of action we shall now take." Sen. Talmadge commended Sen. Cooper's statement. pp. 10820-21.
2. PUBLIC DEBT. Passed without amendment H. R. 7749, to increase the permanent ceiling on the public debt from \$283 billion to \$285 billion, and to increase the temporary ceiling from \$288 billion to \$295 billion (pp. 10811-13, 10878-9). The bill had been reported earlier in the day without amendment by the Finance Committee (S. Rept. 432) p. 10774. This bill will now be sent to the President.
3. AGRICULTURAL APPROPRIATION BILL, 1960. The "Daily Digest" states that conferees "continued, in executive session, to resolve the differences between the Senate- and House-passed versions of H. R. 7175, fiscal 1960 appropriations for the Department of Agriculture, and related agencies, but did not conclude their work, and will meet again tomorrow." p. D532

4. MUTUAL SECURITY. As reported by the Foreign Relations Committee, S. 1451, to extend the mutual security program, includes provisions as follows: Requires that at least \$175,000,000 (same amount as in last year's Act) of mutual security funds be used to finance the export and sale for foreign currencies of surplus agricultural commodities; authorizes \$2,300,000 (last year's appropriation was \$2,100,000) for ocean freight to move supplies donated to and by American voluntary agencies; and authorizes \$179,500,000 for technical cooperation programs.

With regard to local currencies obtained from the sale of surplus commodities under Public Law 480, the committee report states:

"The committee is becoming increasingly concerned over the problems posed, both immediately and over the long term, by U. S. accumulation of large amounts of foreign currencies.\*\*\*

"The committee hopes the executive branch will continue its studies of this subject and submit specific recommendations for congressional action. In the meantime the committee takes this opportunity to record its view that rather too restricted use has been made of the authority of the President under section 104 of Public Law 480 to waive the requirement of appropriations in the case of foreign currencies used for economic development grants.\*\*\*

"Inability to utilize currencies in turn inhibits further sales under Public Law 480.\*\*\*

"All countries in which there are large accumulations of Public Law 480 currencies have great needs for investment in projects such as roads, schools, and health facilities. Although the emphasis of the program should continue to be on loans, the committee feels that the Presidential waiver authority should be used more liberally to make grants."

5. FOREIGN TRADE. Received from the President message transmitting the third annual report on the operation of the trade agreements program (S. Doc. 31). p. 10773
6. BUDGET. Sen. Byrd, Va., inserted a resolution from the Controllers Institute of America urging adherence to a balanced budget in 1960 and in future years of normal economic activity. p. 10774
7. FOOD FOR PEACE. Sen. Fulbright stated that the Senate Foreign Relations Committee will hold hearings on S. 1711, the food for peace bill, on July 7 and 8. p. 10777
8. FEDERAL-STATE RELATIONS. Sen. Dodd criticized H. R. 3, to establish rules of interpretation concerning the effect of acts of Congress on State laws, as passed by the House, as leading to "chaos in the field of Federal-State relationships," and stated that it is a "one-shot attempt to rewrite a century and a half of history." p. 10783
9. FOREIGN CURRENCIES. The Armed Services Committee reported an original bill S. 2280, to authorize construction at military installations, including the use of foreign currencies under Public Law 480 for foreign military housing construction (S. Rept. 434). p. 10883
- A similar bill, H. R. 5674, was made the unfinished business for consideration Mon., June 29. p. 10879

## PUBLIC DEBT ACT OF 1959

JUNE 25, 1959.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance,  
submitted the following

### R E P O R T

[To accompany H.R. 7749]

The Committee on Finance, to whom was referred the bill (H.R. 7749) to increase the amount of obligations issued under the Second Liberty Bond Act which may be outstanding at any one time, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### SUMMARY

The bill raises the permanent statutory limit on the Federal debt from \$283 billion to \$285 billion, and for fiscal year 1960 it allows an additional \$10 billion temporary increase.

Under provisions of the bill the debt limit will be \$295 billion during fiscal year 1960, the \$10 billion temporary increase will expire June 30, 1960, and the limit thereafter will be \$285 billion.

#### GENERAL STATEMENT

The administration requested that the permanent limit be raised from \$283 billion to \$288 billion and that an additional increase of \$7 billion be allowed temporarily for fiscal year 1960.

The Committee on Ways and Means of the House of Representatives approved the bill providing that the permanent ceiling be raised to \$285 billion and allowing an additional \$10 billion in temporary increase for fiscal year 1960. The House passed the bill as reported by the Committee on Ways and Means.

The Secretary of the Treasury, in testimony before the Senate Committee on Finance said an increase in the debt limit was essential to proper management of the Federal debt under existing and foreseeable conditions. He testified further that the provisions of the bill as passed by the House were workable in terms of Treasury requirements, and acceptable to the administration.

The Committee on Finance has approved and reported the bill as passed by the House of Representatives, without amendment.

### HISTORY OF FEDERAL DEBT LIMITATION

Limitation on public debt is standard and traditional in the United States at all levels of government. It is advocated by the administration, with sufficient leeway for flexibility. It is not new with Congress. Prior to 1917 specific acts of Congress were required to authorize each loan. Since 1917 the maximum limitation on Federal debt has been fixed by statute as shown in the following Treasury Department summary.

#### *Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended*

Act	History of legislation	Amount
	1917	
Sept. 24, 1917-----	Sec. 1 (40 Stat. 288) authorized bonds in the amount of----- Sec. 5 (40 Stat. 290) authorized certificates of indebtedness outstanding (revolving authority)-----	<sup>1</sup> \$7, 538, 945, 400 <sup>2</sup> 4, 000, 000, 000
	1918	
Apr. 4, 1918-----	Amending sec. 1 (40 Stat. 502) increased bond authority to----- Amending sec. 5 (40 Stat. 504) increased authority for certificates outstanding to-----	<sup>1</sup> 12, 000, 000, 000 <sup>2</sup> 8, 000, 000, 000
July 9, 1918-----	Amending sec. 1 (40 Stat. 844) increased bond authority to-----	<sup>1</sup> 20, 000, 000, 000
	1919	
Mar. 3, 1919-----	Amending sec. 5 (40 Stat. 1311) increased authority for certificates outstanding to----- New sec. 18 added (40 Stat. 1309) authorized notes in the amount of-----	<sup>2</sup> 10, 000, 000, 000 <sup>1</sup> 7, 000, 000, 000
	1921	
Nov. 23, 1921-----	Amending sec. 18 (42 Stat. 321) increased note authority to outstanding (establishing revolving authority)-----	<sup>2</sup> 7, 500, 000, 000
	1929	
June 17, 1929-----	Amending sec. 5 (46 Stat. 19) authorized Treasury hills in lieu of certificates of indebtedness, no change in limitation for the outstanding-----	<sup>2</sup> 10, 000, 000, 000
	1931	
Mar. 3, 1931-----	Amending sec. 1 (46 Stat. 1506) increased bond authority to-----	<sup>1</sup> 28, 000, 000, 000
	1934	
Jan. 30, 1934-----	Amending sec. 18 (48 Stat. 343) increased authority for notes outstanding to-----	<sup>2</sup> 10, 000, 000, 000
	1935	
Feb. 4, 1935-----	Amending sec. 1 (49 Stat. 20) limited bonds outstanding (establishing revolving authority to----- New sec. 21 added (49 Stat. 21) consolidated authority for certificates and bills (sec. 5) and authority for notes (sec. 18); same aggregate amount outstanding----- New section 22 added (49 Stat. 21) authorized U.S. savings bonds within authority of sec. 1.	<sup>2</sup> 25, 000, 000, 000 <sup>2</sup> 20, 000, 000, 000
	1938	
May 26, 1938-----	Amending secs. 1 and 21 (52 Stat. 447) consolidated in sec. 21, authority for bonds, certificates of indebtedness, Treasury hills and notes (outstanding bonds limited to \$30,000,000,000); same aggregate total outstanding-----	<sup>2</sup> 45, 000, 000, 000

See footnotes at end of table, p. 4.

*Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended—Continued*

Act	History of legislation	Amount
	1939	
July 20, 1939 (53 Stat. 1071) ----	Amending sec. 21 removed limitation on bonds without change total authorized outstanding of bonds, certificates of indebtedness, Treasury bills and notes.-----	<sup>2</sup> \$45,000,000,000
	1940	
June 25, 1940 (54 Stat. 526) ----	"Sec. 302, section 21 of the Second Liberty Bond Act, as amended, is hereby further amended by inserting '(a)' after '21', and by adding at the end of such section a new paragraph as follows: "(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by sections 5 and 18 of this Act, as amended, not to exceed in the aggregate \$4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under section 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor, any such obligations so issued shall be designated "National Defense Series".'-----	<sup>3</sup> 4,000,000,000
	1941	
Feb. 19, 1941 (55 Stat. 7) ----	Amending sec. 21 to read: " <i>Provided</i> , That the face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$65,000,000,000 outstanding at any one time." Eliminates separate authority for \$4,000,000,000 of National Defense Series obligations.-----	<sup>2</sup> 65,000,000,000
	1942	
Mar. 28, 1942 (56 Stat. 189) ----	Amending sec. 21, increasing limitation to \$125,000,000,000.-----	<sup>2</sup> 125,000,000,000
	1943	
Apr. 10, 1943 (57 Stat. 63) ----	Amending sec. 21, increasing limitation to \$210,000,000,000.-----	<sup>2</sup> 210,000,000,000
	1944	
June 9, 1944 (58 Stat. 272) ----	Amending sec. 21, increasing limitation to \$260,000,000,000.-----	<sup>2</sup> 260,000,000,000
	1945	
Apr. 3, 1945 (59 Stat. 47) ----	Amending sec. 21 to read: "The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate \$300,000,000,000 outstanding at any one time."-----	<sup>2</sup> 300,000,000,000
	1946	
June 26, 1946 (60 Stat. 316) ----	Amending sec. 21, decreasing limitation to \$275,000,000,000 and adding, "the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation"-----	<sup>2</sup> 275,000,000,000
	1954	
Aug. 28, 1954 (68 Stat. 895) ----	Amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by \$6,000,000,000 to-----	<sup>2</sup> 281,000,000,000
	1955	
June 30, 1955 (69 Stat. 241) ----	Amending Aug. 28, 1954, act, by extending until June 30, 1956, increase in limitation to-----	<sup>2</sup> 281,000,000,000

See footnotes at end of table, p. 4.

*Debt limitation under sec. 21 of the 2d Liberty Bond Act, as amended—Continued*

Act	History of legislation	Amount
	1956	
July 9, 1956 (70 Stat. 519)-----	Amending act of Aug. 28, 1954, temporarily increasing limitation by \$3,000,000,000, for period beginning on July 1, 1956, and ending on June 30, 1957, to-----	<sup>2</sup> \$278,000,000,000
	1957	
Feb. 26, 1958 (72 Stat. 27)-----	Effective July 1, 1957; temporary increase terminates and limitation reverts, under act of June 26, 1946, to-----	<sup>2</sup> 275,000,000,000
	1958	
	Amending sec. 21, effective January 1958, and ending June 30, 1959, temporarily increasing limitation by \$5,000,000,000 to-----	<sup>2</sup> 280,000,000,000
	1959	
Sept. 2, 1958 (72 Stat 1758)-----	Amending sec. 21 to raise permanent ceiling to-----	<sup>2</sup> 283,000,000,000
	1958-59	
	Continuing \$5,000,000,000 temporary addition from act of Feb. 26, 1958, providing a limitation through June 30, 1959, of-----	<sup>2</sup> 288,000,000,000

<sup>1</sup> Limitation on issue.<sup>2</sup> Limitation on outstanding.<sup>3</sup> Limitation on issues less retirements.

Source: Treasury Department.

## CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in *italics*; existing law in which no change is proposed is shown in *roman*):

## SECTION 21 OF THE SECOND LIBERTY BOND ACT, AS AMENDED (31 U.S.C., SEC. 757b)

SEC. The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate **[\$283,000,000,000]** *\$285,000,000,000* outstanding at any one time. The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation.

86TH CONGRESS  
1ST SESSION

# H. R. 7749

[Report No. 432]

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## IN THE SENATE OF THE UNITED STATES

JUNE 22, 1959

Read twice and referred to the Committee on Finance

JUNE 25, 1959

Reported by Mr. BYRD of Virginia, without amendment

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## AN ACT

To increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*  
3        That the first sentence of section 21 of the Second Liberty  
4        Bond Act, as amended (31 U.S.C., sec. 757b), is amended  
5        to read as follows: "The face amount of obligations issued  
6        under authority of this Act, and the face amount of obliga-  
7        tions guaranteed as to principal and interest by the United  
8        States (except such guaranteed obligations as may be held  
9        by the Secretary of the Treasury), shall not exceed in the  
10       aggregate \$285,000,000,000 outstanding at any one time."

1        SEC. 2. During the period beginning on July 1, 1959,  
2    and ending on June 30, 1960, the public debt limit set forth  
3    in the first sentence of section 21 of the Second Liberty Bond  
4    Act, as amended, shall be temporarily increased by \$10,-  
5    000,000,000.

6        SEC. 3. This Act may be cited as the "Public Debt Act  
7    of 1959".

Passed the House of Representatives June 19, 1959.

Attest:

RALPH R. ROBERTS,

*Clerk.*

REPORT OF THE GOVERNMENT

1904-1905

OF THE UNITED STATES OF AMERICA  
IN THE YEAR 1905

BY THE SECRETARY OF THE INTERIOR

AND THE COMMISSIONER OF THE GENERAL LAND OFFICE

WASHINGTON

GOVERNMENT PRINTING OFFICE

1906

[Report No. 432]

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## AN ACT

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To increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

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JUNE 22, 1959

Read twice and referred to the Committee on Finance

JUNE 25, 1959

Reported without amendment

the germaneness requirement of the unanimous-consent agreement the Gore amendment, the Douglas amendment, the Clark amendment, the McCarthy amendment, the Proxmire amendment, and the two Long amendments.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

Mr. JOHNSON of Texas. In case those amendments happen not to be germane, I should like to specify that they are to be excluded from the germaneness requirement.

The PRESIDING OFFICER. Is there objection to the unanimous-consent agreement proposed by the Senator from Texas? The Chair hears none, and the unanimous-consent agreement is entered, and is now in effect.

Mr. PASTORE. Mr. President, I have been asked by the leadership to request unanimous consent that the time consumed by the Senator from Ohio [Mr. YOUNG] be not charged to either side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

#### MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Ratchford, one of his secretaries.

#### INCREASE OF THE DEBT CEILING

Mr. JOHNSON of Texas. Mr. President, House bill 7749, to increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time—it is the so-called debt ceiling bill—has been reported unanimously by the Finance Committee. The Treasury believes it very important that we take action on this measure at the earliest possible time.

The report on the bill has been filed; and I have conferred with the chairman of the committee and with the ranking minority member of the committee. They know of no objection to this proposed legislation, which was reported unanimously by the committee. Although no one really wants to raise the debt limit, no way is known by which it can be avoided.

Mr. CLARK. Mr. President, will the Senator yield to me?

Mr. JOHNSON of Texas. I yield.

Mr. CLARK. I regret—particularly in view of the happenings of the last several days—to have to tell my friend, the Senator from Texas, that I think there are six, seven, or eight Senators who have joined me in sponsoring, in connection with the debt limit measure, an amendment which we would wish to call up for consideration. I do not think we would wish to debate the amendment at great length. But I believe there was submitted to that measure—and I ask that I be corrected if I am in error—an amendment which relates to such assets of the United States as REA bonds and similar assets. This seems to some of us to be quite important in our search for a capital budget. I do not want to ap-

pear difficult or impossible, but we are going to have some time to discuss to discuss the amendment—not too much time, I may say.

Mr. JOHNSON of Texas. I was totally unaware of the amendment. Nobody indicated to me there would be an amendment. May I ask how much time the Senator would like?

Mr. CLARK. So far as I am concerned, not much, but the principal cosponsor is the distinguished senior Senator from Oregon [Mr. MORSE], and I am in no position to speak for him. He is not unreasonable, as the Senator knows.

Mr. JOHNSON of Texas. The Senator from Oregon is out of town.

Mr. CLARK. I know. For that reason, I thought we would wait until Monday.

Mr. JOHNSON of Texas. I have been informed it is important that the bill be passed today.

Mr. CLARK. I hate to be difficult about it. I see the Senator from Illinois [Mr. DOUGLAS] present. I thought he said there was no objection to an increase in the debt limit at all.

Mr. DOUGLAS. The reservation I made was to the increase in the interest rate. I have always been disposed to believe we should not put restrictions on the debt limit, although I want very solemnly to state that I hope when the debt limit is exceeded the funds will be used to meet current bills which the Nation owes, and not to make interest-free deposits in banks. This is an extremely important point.

Mr. CLARK. I should like to ask my friend from Virginia why it is so urgent that the bill be passed this week. I know the senior Senator from Oregon, who I do not think knew this bill was to come up, will be upset.

Mr. JOHNSON of Texas. I stated in the RECORD day after day that it would be considered at the earliest opportunity. We gave adequate notice we are going to try to pass all bills that have expiration dates by the 30th of June. We are being told constantly that we need to expedite legislation, that we need to go ahead with our work.

Mr. CLARK. Could my friend from Virginia tell us what the great urgency is? Why not wait until Monday?

Mr. BYRD of Virginia. I think the majority leader has the information.

Mr. JOHNSON of Texas. The Secretary of the Treasury has not discussed this matter with me, but I understand he has substantial financing to be announced later today. He thinks it is very important and very much in the national interest, if there is no opposition to the bill, and if we can pass it, that it be passed. He is withholding his announcement, awaiting action.

Mr. CLARK. In view of what the Senator from Texas has said, and with a good deal of regret, and with some feeling—not directed against the Senator from Texas at all—that we are being pressured into taking precipitate action on a very important measure without adequate opportunity for debate, I shall not insist on holding the matter up. I

will do the best I can, since the senior Senator from Oregon is not here, to present our point of view in half an hour.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Chair may lay before the Senate H.R. 7749, as reported by the committee, and that we may have not to exceed 1 hour on the bill, 30 minutes to be controlled by the author of the amendment, the other 30 minutes to be controlled by the majority leader, and that we proceed to vote following action on the amendment.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request?

Mr. CARROLL. Mr. President, reserving the right to object, will the majority leader inform us or will the distinguished Senator from Virginia inform us whether or not there is any difference in the bill as reported by the Senate Finance Committee and the bill as it came from the Ways and Means Committee of the House?

Mr. BYRD of Virginia. There is not.

Mr. CARROLL. This is an increase from \$283 billion to \$285 billion. Is that correct?

Mr. BYRD of Virginia. The permanent debt limitation would be raised to \$285 billion.

Mr. CARROLL. But there is a difference between the temporary and the permanent debt ceiling, is there not?

Mr. BYRD of Virginia. The present debt ceiling is \$288 billion, \$5 billion temporary, and \$283 billion permanent. The Treasury recommended a permanent limitation of \$288 billion, and an additional \$7 billion, temporary, for a total of \$295 billion. The House provided increases of \$10 billion temporary and \$2 billion permanent, making a total of \$295 billion for fiscal year 1960, with the \$10 billion temporary increase expiring June 30, 1960. This is the same bill that the House Ways and Means Committee reported and the House passed and sent to the Senate.

Mr. CARROLL. Let me restate my question. On the permanent side, the national debt ceiling is \$283 billion. The proposal is to increase it to \$285 billion. Is that correct?

Mr. BYRD of Virginia. That is correct.

Mr. CARROLL. And the temporary ceiling is increased—

Mr. BYRD of Virginia. From \$5 billion to \$10 billion. That makes a total increase of \$7 billion over the present \$288 billion limitation.

Mr. CARROLL. On a temporary basis?

Mr. BYRD of Virginia. Yes.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. CLARK. Is my understanding correct that the Senator from Texas wants to set aside the pending business in order to take up and pass this debt ceiling bill?

Mr. JOHNSON of Texas. Yes.

Mr. CLARK. I shall not object, and again I wish to make it very clear that I am not blaming the Senator from Tex-

as, but, in view of the pressure which is being put on us from all sides, and my keen desire to protect my colleagues who want to get a vote on the McCarthy amendment this afternoon and want to leave later, I am going to stifle my strong desire to offer my amendment and say, let us pass the bill in 10 minutes, and I will make my argument later.

Mr. JOHNSON of Texas. Mr. President, I so modify my request.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield to the Senator from Illinois.

Mr. DOUGLAS. I am going to vote for the proposal. I regret I was not able to be present at the Finance Committee meeting this morning so that I could question the Treasury officials. I was hit on the head with a bungstarter last night when my attempt to introduce some economy in the White House was defeated by a vote of 75 to 5, and I have been trying to recover my equilibrium ever since. But there is one thing which needs to be watched very carefully, and that is this: Suppose the Treasury borrows \$5 billion of short-term notes, and pays for them at the rate of  $3\frac{1}{4}$  percent. Suppose it gets the money, redeposits the money in the banks interest-free, and the banks then turn around and buy short-term Government notes in the open market for which they get  $3\frac{1}{4}$  percent, so that the net result is that the banks get  $6\frac{1}{2}$  percent. I do not know whether that is the intent of the Treasury. I say that if it is the intent of the Treasury or the practice of the Treasury, that fact should be made known to the country. I hope it is not.

The Senator from Illinois is serving notice that he is going to watch very assiduously whether there is an increase in the interest-free deposits of the Government in the banks of the country. This has been an abuse which has gone on for too long. It was probably justified in wartime because of unpaid services which the banks performed for the Nation; but deposits in excess of current needs should pay interest to the Government.

I have again and again queried the Treasury on these funds, and again and again have not received any satisfactory answer. I hope this is not to be used as a measure to enrich the banks.

I am ready to vote for the measure as a means of enabling the Government to pay its bills.

Mr. BYRD of Virginia. Mr. President, will the Senator yield?

Mr. DOUGLAS. Yes.

Mr. BYRD of Virginia. The Senator from Illinois was not at the meeting this morning, but the Secretary of the Treasury stated that he regarded \$3.5 billion as the amount necessary for what is known as a constant balance. The Senator from Illinois and the Senator from Virginia have joined in their efforts not so often, but occasionally. Some years ago the Senator will recall we exposed the fact that entirely too much money was being left in the banks when we were borrowing and paying interest.

Mr. DOUGLAS. Will the Senator from Virginia, whose eye is sharper than that

of the Senator from Illinois, keep his eye on the matter?

Mr. BYRD of Virginia. I certainly shall.

Mr. DOUGLAS. I think he has more influence with the Treasury than I have. And will he watch sharply if the Treasury increases its interest-free deposits?

Mr. BYRD of Virginia. Yes. The figure of \$3.5 billion is what the Secretary regards as a necessary constant balance.

Mr. DOUGLAS. It will be interesting to see if this figure is raised subsequently upon the borrowing of more money.

Mr. BYRD of Virginia. I will ask the Secretary of the Treasury to furnish to the Finance Committee a monthly statement.

Mr. McCARTHY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. McCARTHY. Will the Senator from Virginia tell me when the Treasury made the specific request for an increase in the debt ceiling?

Mr. BYRD of Virginia. It was made recently to the House Ways and Means Committee. I do not have the exact date before me.

Mr. McCARTHY. Hearings were held last week, were they not?

Mr. BYRD of Virginia. I think it was last week, the bill came to the Finance Committee only a few days ago.

Mr. McCARTHY. I presume the committee acted as soon as it received the request.

Mr. BYRD of Virginia. It came to the Finance Committee within the week.

Mr. McCARTHY. We can be quite sure that the Treasury Department knew of this need long ago. So far as we know, it did not submit its request until a week ago.

Mr. BYRD of Virginia. Such proposed legislation goes to the Ways and Means Committee of the House first.

The PRESIDING OFFICER. Is there objection to the unanimous-consent agreement proposed by the Senator from Texas? The Chair hears none, and it is so ordered.

The Senate proceeded to consider the bill (H.R. 7749) to increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

Mr. JOHNSON of Texas. Mr. President, so far as I know, Senators have already used all the time they desire. I have had no request for time. I believe, if we are ready, we can vote.

Mr. BYRD of Virginia. Mr. President, I should like to make a brief statement.

Mr. President, the bill raises the permanent statutory limit on the Federal debt from \$283 billion to \$285 billion, and for fiscal year 1960, it allows an additional \$10 billion temporary increase.

Under the provisions of the bill the debt limit will be \$295 billion during fiscal year 1960; the \$10 billion temporary increase will expire June 30, 1960; and the limit thereafter will be \$285 billion.

The administration requested that the permanent limit be raised from \$283 billion to \$288 billion, and that an addi-

tional increase of \$7 billion be allowed temporarily for fiscal year 1960.

The Committee on Ways and Means of the House of Representatives, approved the bill providing that the permanent ceiling be raised to \$285 billion and allowing an additional \$10 billion in temporary increase for fiscal year 1960. The House passed the bill as reported by the Committee on Ways and Means.

The Secretary of the Treasury, in testimony before the Senate Committee on Finance, said an increase in the debt limit was essential to proper management of the Federal debt under existing and foreseeable conditions. He testified further that the provisions of the bill as passed by the House were workable in terms of Treasury requirements, and acceptable to the administration.

The Committee on Finance has approved and reported the bill as passed by the House of Representatives, without amendment.

#### HISTORY OF FEDERAL DEBT LIMITATION

Limitation on public debt is standard and traditional in the United States at all levels of government. It is advocated by the administration, with sufficient leeway for flexibility. It is not new with Congress. Prior to 1917, specific acts of Congress were required to authorize each loan. Since 1917, the maximum limitation on Federal debt has been fixed by statute.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of my time, on condition that the minority leader do likewise.

Mr. GOLDWATER. Mr. President, will the Senator yield to me first?

Mr. DIRKSEN. Mr. President, I yield 1 minute to the Senator from Arizona.

Mr. GOLDWATER. Mr. President, because there will not be a yea and nay vote, I do not want the RECORD to indicate I would vote for the bill if a yea and nay vote were taken. I have voted against increasing the debt ceiling every time I have had the opportunity, on the ground that I think we should practice more economy in government before we raise our national debt ceiling. Therefore, if there were to be a yea-and-nay vote, I would vote against the passage of the bill.

Mr. JOHNSON of Texas. Mr. President, I yield back the remainder of my time.

Mr. DIRKSEN. Mr. President, I yield back the balance of my time.

The PRESIDING OFFICER. All time for debate has been yielded back. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was ordered to be read a third time, and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 7749) was passed.

Mr. DIRKSEN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion of

the Senator from Texas to lay on the table the motion of the Senator from Illinois to reconsider.

The motion to lay on the table was agreed to.

#### TAX RATE EXTENSION ACT OF 1959

The Senate resumed the consideration of the bill (H.R. 7523) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Minnesota [Mr. McCARTHY]. How much time does the Senator from Minnesota yield himself?

Mr. McCARTHY. I yield myself 15 minutes.

Mr. President, the amendment before the Senate provides for the repeal of section 34 of the Internal Revenue Code of 1954. This is the section of the code which permits the 4-percent credit against taxes on the basis of dividends received. My amendment repeals the 4-percent credit against taxes on dividends received from domestic corporations. My amendment does not in any way affect the \$50 deduction which was granted in the act of 1954 and is included in section 116 of the code.

Let me make it clear to the Senate that the \$50 deduction will be continued, and that on a joint return \$100 of dividend income of husband and wife would continue to be deductible.

My amendment relates only to the 4-percent tax credit which was included in the act of 1954. If my amendment is adopted, the Federal revenues will be increased by \$335 million in the year beginning January 1960. The amount of revenue involved in the \$50 deduction comes approximately to only \$65 million. I point out again that my amendment does not in any way affect the \$65 million tax deduction which is granted on the basis on the first \$50 of dividend income which any individual taxpayer will receive and have to report.

I feel certain that Senators are familiar with the background of these provisions in the Internal Revenue Code. In the early years of income tax legislation, a situation arose under which a person who received income from salaries and wages paid a smaller tax than a person who received the same amount of income from dividends. In those days people talked about earned income and unearned income. Earned income was given preferential treatment.

This difference was eliminated by the Tax Adjustment Act of 1943, when the law was changed so as to establish equities. Those who received income from dividends paid a tax which was the same as that which was paid by those who received their income from wages and salaries.

The 1943 act, let me repeat, established equities. The tax was the same on dividend income as on income from wages and salaries.

In 1954, the revised code gave preferential treatment to those whose income was derived from dividends. The act of 1954 provided a \$50 deduction for divi-

dend income in addition to all the other regular deductions which were given to all taxpayers, and provided for a straight deduction from income and a credit against tax of up to 4 percent of the individual taxable income, and 4 percent on dividends and up to 4 percent of the individual's total taxable income.

The original bill proposed by the Treasury would have granted even greater deductions and a larger tax credit—\$100 a person by way of deduction, and a tax credit of 10 percent on dividends.

The second provision is not a deduction from the tax itself but is rather a credit against the tax.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. CARROLL. Do I correctly understand the Senator from Minnesota to mean that the Treasury in 1954 advocated a program for a deduction of \$100 plus a 10-percent tax credit rather than a 4-percent tax credit?

Mr. McCARTHY. The Senator is correct.

Mr. CARROLL. What was the philosophy behind that? I can understand a deduction of \$100 or \$50. But what was the philosophy with respect to either the 10-percent or the 4-percent tax credit? How was that justified?

Mr. McCARTHY. Two arguments were made. The first was on what was called double taxation, which I shall discuss in some detail; the second argument was that it was necessary to stimulate investment in corporate securities. Investment in the stock market needed to be stimulated and encouraged in 1954.

Mr. CARROLL. So it was the concept of the Treasury in 1954 that it was really necessary to stimulate investment in the stock market.

Mr. McCARTHY. The statement was made that people were not investing in stocks, but rather were investing their savings in bonds. The Treasury wanted to reverse this trend and to change that disposition of savings.

Mr. CARROLL. I hope the Senator from Minnesota will continue along this line and will compare stock market and bond market conditions today with those of 1954.

Mr. McCARTHY. I hope that in the course of my remarks I shall make that point clear.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. DOUGLAS. The Senator from Minnesota touched very concisely on the essential point which I think needs to be emphasized. Is it not true that this deduction or credit of 4 percent of dividends is not applied to income, but is a direct dollar-for-dollar deduction from taxes which would otherwise be paid?

Mr. McCARTHY. The Senator is correct. Let me trace the manner in which this credit is arrived at. After the tax liabilities of the taxpayer are determined, a person having an income from dividends is permitted to subtract from that amount an amount equal to 4 percent of his dividends, with a top limit of 4 percent of his taxable income.

A person who receives income from salaries or wages, or, for that matter, interest or rent, is not permitted of given such a privilege.

Let us consider the case of a joint return of a taxpayer who is married and has 2 children and an income of \$10,000 a year. If all of his \$10,000 income is derived from salaries and wages, he would take the 10 percent standard deduction, which would leave \$9,000 subject to taxation. Deducting his personal exemptions, which would come to \$2,400, he would be left with a taxable income of \$6,600. The tax on that amount would be \$1,372.

Let us now consider the case of the joint return of a taxpayer who is married, who has 2 children, and all of whose income of \$10,000 is derived from dividends. After his dividend exclusion of \$100 has been deducted, the amount is reduced to \$9,900. Deducting the 10 percent standard deduction, which is \$990, the remaining figure is \$8,910. Subtracting from that his personal exemption of \$2,400, he is left with a taxable income of \$6,510, in contrast with the taxable income of \$6,600 in the case of the person who had \$10,000 in wages and salaries.

Now we come to the next credit. In addition to the other credits and deductions which he has been permitted to take, he takes a 4-percent credit of his dividend income up to 4 percent of his taxable income. This amounts to \$260.40. He subtracts this amount and is left with a tax liability of \$1,091.80, in contrast with the tax liability of the man who earned his \$10,000 in wages and salaries, of \$1,372, or a difference of \$280.20 between the 2 taxpayers.

I point out to the Senate that as the amount of income, including dividend income, rises, the advantage increases. I have a table based upon the 1956 tax year in which the dividend credit provision was in effect. It shows who really benefited as a result of Congress having placed this provision in the tax code.

Of those who had incomes under \$3,000, more than 12 million taxable returns were filed. Of the 12 million, only 2 percent claimed any dividend credit. The tax saved by the credit came to \$16 on a \$3,000 income.

If we move into the bracket of those whose incomes were \$10,000 to \$15,000, we find approximately 2 million returns were filed. Of those, 23.9 percent claimed dividend credit. The tax saved was \$108 in that category.

If we move into the \$100,000 bracket, 14,000 returns were filed. Ninety percent of those taxpayers filed a claim for dividend credit. The amount of tax saved was \$1,480.

In the \$200,000 to \$500,000 class, 93.9 percent of the taxpayers claimed credit, and the saving came to something over \$4,000, on the average.

In the bracket from \$500,000 to \$1 million, the saving came to \$9,902.

As one moves up in the income brackets, the graduated escape from relief from taxation increases.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. McCARTHY. I yield.

Mr. CARROLL. Will the Senator go back to his first category, please? How many million returns were filed in the \$3,000 income bracket?

Mr. McCARTHY. 2,161,325.

Mr. CARROLL. The Senator mentioned something about 2 percent.

Mr. McCARTHY. Two percent of those who filed in that bracket claimed any kind of dividend credit, and the average tax saving was \$16.

Mr. CARROLL. For each of those 2 percent who claimed dividend credit, the amount of saving was \$16?

Mr. McCARTHY. Yes.

Mr. CARROLL. That was what confused me. Let us go to the category of \$100,000. What was the percentage there?

Mr. McCARTHY. Of those who filed returns in that bracket, 90 percent claimed credit.

Mr. CARROLL. As to each, what was the saving in dollars and cents?

Mr. McCARTHY. It was \$1,480.

Mr. CARROLL. Let us go to the next category.

Mr. McCARTHY. In the bracket from \$200,000 to \$500,000, 93 percent claimed credit. Four thousand persons filed that kind of return. The average saving was \$4,135.

Mr. CARROLL. Each?

Mr. McCARTHY. Each.

Mr. DOUGLAS. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. DOUGLAS. I was a member of the Banking and Currency Committee at the time when this measure was proposed and finally was adopted. The then Secretary of the Treasury, George M. Humphrey, was the sponsor of the amendment. In his testimony before the Banking and Currency Committee he represented this tax as being an aid to persons of low incomes, because, so he said, those with low incomes were the primary owners of American industry.

In the light of experience, how wrong does the Senator think Mr. Humphrey has been proven to be?

Mr. McCARTHY. I think the evidence is strongly on the side of condemning the policy and program of Mr. Humphrey.

Mr. DOUGLAS. Does not the evidence indicate that Mr. Humphrey has been about 99.44 percent wrong?

Mr. McCARTHY. I think the Senator from Illinois has indicated the correct percentage.

Mr. CLARK. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. CLARK. I hope the Senator from Minnesota will save himself a few minutes in which to speak just before the vote is taken.

Mr. President, let me ask how much time remains available to the Senator from Minnesota.

The PRESIDING OFFICER. Thirty-two minutes.

Mr. CLARK. Mr. President, in view of that, I should like to ask the Senator from Minnesota whether his amendment, which is pending, is substantially

identical to an amendment which was called up in the Senate and was voted on in 1954. I refer to an amendment against inclusion of section 34 of the code.

Mr. McCARTHY. The amendment I am now submitting to the Senate was submitted to the Finance Committee; and in the committee the vote was 8 to 8—a tie. So the amendment failed by only one vote of having been reported as a committee amendment from the Finance Committee.

Let me also state that in 1954, when this provision was first written into the code, the House adopted the Treasury's recommendation of \$100 and 10 percent. But the Senate took the action to which the Senator from Pennsylvania has referred. On July 1, 1954, the then Senator Johnson of Colorado offered an amendment to reject entirely the proposal to grant this dividend credit. That was the same as the proposal I am making now, except that his amendment was directed to the \$100 and the 10 percent, and his amendment called for eliminating all of it. In conference a part of it was retained. My amendment calls for eliminating the part which was retained. But his amendment, as he submitted it, went to the entire \$100. Mine goes to the remaining \$50.

When the vote was taken, 71 Senators showed by their votes that they believed the dividend credit should not be given; and at that time—in July 1954—only 7 Members of the Senate voted in favor of giving this credit.

Mr. DOUGLAS. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. DOUGLAS. I hope the Senator will pardon me if I say that it was at my insistent request that a yea-and-nay vote, a record vote, was taken on the question of agreeing to that amendment.

Mr. McCARTHY. I give the Senator from Illinois full credit for that. I hope the Senators present today who were Members of the Senate in 1954 will look at the votes they cast then, as recorded at that time at the insistence of the Senator from Illinois. That was in 1954.

In fact, to make it easy for Senators to study that vote, I should like to point out that that yea-and-nay vote has been reproduced, and has been distributed to every office in the Senate Office Building, and also has been laid on every desk in this Chamber.

The PRESIDING OFFICER. The 15 minutes the Senator from Minnesota yielded to himself have elapsed.

Mr. McCARTHY. Mr. President, I yield myself an additional 5 minutes.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for an additional 5 minutes.

Mr. CLARK. Mr. President, will the Senator from Minnesota yield further to me?

Mr. McCARTHY. I yield.

Mr. CLARK. I also wish to call the attention of my genial friends across the aisle—and I see there the distinguished chairman of the Republican National Committee, the junior Senator from Kentucky [Mr. MORTON], and my good friend, the senior Senator from

Connecticut [Mr. BUSH]—to the fact that of the 43 Members of the Senate who then were in the Senate and still are in the Senate, the division among them was 27 Democrats and 16 Republicans. They are the Senators who voted in favor of an effort very similar to the one the Senator from Minnesota is making today. That vote was taken in 1954.

I hope my good Republican friends will call to the attention of their colleagues who have not desired to come to the Chamber to hear this debate, just what their votes were in 1954. On that occasion, my charming and delightful friend, the Senator from Connecticut [Mr. BUSH], with his usual consistency, was among the Senators who voted against that amendment in 1954. So when the Senator from Connecticut votes against it today, he will be taking a consistent position. But perhaps not all of his colleagues will be able to be in that happy position.

Mr. McCARTHY. Certainly such Senators will wish to consider the votes they cast in connection with that amendment in July 1954. They will wish to consider their votes on that occasion, either in order to decide that their vote on this occasion should not be consistent with that one; or else, to prepare their defenses, in case they decide that the vote they will cast at this time will be consistent with that vote, and in case such consistency of voting is challenged.

Mr. LAUSCHE. Mr. President, will the Senator from Minnesota yield to me?

Mr. McCARTHY. I yield.

Mr. LAUSCHE. The Senator from Minnesota has pointed out that a credit is given to the holders of stocks, on the basis of their income from the stocks, whereas one whose income comes from his salary does not receive such a credit. Is not preferential treatment also given, under existing law, to those who derive their income from stockholdings, over those who derive their income from the purchase of Government savings bonds?

Mr. McCARTHY. A preference is given to those who receive income from dividends, over those who receive income from interest on the bonds of the Federal Government. However, that is not necessarily true in the case of the bonds issued by all the States and municipalities.

Mr. LAUSCHE. In other words, one who buys Federal Government savings bonds pays the full income tax on the interest which those bonds produce, does he not?

Mr. McCARTHY. That is correct.

Mr. LAUSCHE. But a person who invests his money in stocks is given, to begin with, a \$100 deduction on his earnings from the stocks; and then, in addition, he is allowed to apply 4 percent of his net taxable income as a credit on his tax obligation, is he not?

Mr. McCARTHY. He is permitted to take, as a credit against his tax, after he has figured it, 4 percent of the dividends he received, with a top limit to the effect that the amount shall not exceed 4 percent of all of his taxable income. The Senator from Ohio is correct.

### FLAG RAISING CEREMONIES AT JUNEAU, ALASKA, JULY 4, 1959

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 423, Senate Resolution 135.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 135) authorizing the appointment of a special committee to attend the flag raising ceremonies at Juneau, Alaska, on July 4, 1959.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered and agreed to, as follows:

*Resolved*, That the Vice President is authorized to appoint seven Members of the Senate as a special committee to represent the United States Senate at the ceremonies to be held at Juneau, Alaska, on July 4, 1959, where the United States flag bearing forty-nine stars will first officially be flown in commemoration of the admission of Alaska into the Union as a State, and to designate the chairman of said special committee.

*Resolved further*, That the expenses of the committee, including staff members designated by the chairman to assist the committee, which shall not exceed \$15,000, shall be paid from the contingent fund of the Senate, upon vouchers approved by the chairman.

### REPORTING BY SENATE OF DE- TAILED INFORMATION ON ITS PAYROLLS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar 422, Senate Resolution 139.

The PRESIDING OFFICER. The resolution will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A resolution (S. Res. 139) to provide for the reporting by the Senate of detailed information on its payrolls.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the Senate proceeded to consider the resolution.

Mr. JOHNSON of Texas. Mr. President, I yield to the Senator from Missouri to make a brief explanation of the resolution.

Mr. HENNINGS. Mr. President, this resolution was called to the attention of the Committee on Rules and Administration some several weeks past. It relates to what many of us have heard and read about, and about which inquiries have been made of us concerning the staffs of the respective Senators and themselves.

In considering the matter, the Committee on Rules and Administration tried to reach what we thought was a proper conclusion. We did so after two meetings. We spent the greater part of the time in discussing what we thought would best meet the responsibility of the Senate to the people of the United States in a full and free disclosure of

our own financial transactions, our payrolls, and all other information, about which some of us feel strongly.

Mr. JOHNSON of Texas. Was this a unanimous report?

Mr. HENNINGS. The resolution was reported to the Senate unanimously by a full attendance of the Committee on Rules and Administration, either in person or by proxy, on Wednesday of this week.

Mr. ELLENDER. Mr. President, will the Senator yield?

Mr. HENNINGS. I yield.

Mr. ELLENDER. Does the resolution contain language which would require the names of the employees to appear under the name of each Senator; that is, to identify them?

Mr. HENNINGS. Yes.

Mr. ELLENDER. I do not read the resolution in that way. To me, the meaning is to name the Senator and then the employees.

Mr. HENNINGS. The name of the Senator, the list of employees, and the list of the salaries of employees following the employees' names.

Because of the lateness of the hour, I shall not go into a more detailed explanation of the resolution. Unless there are further questions, I ask unanimous consent to have printed at this point in the RECORD a portion of the report and a further explanation of the resolution.

There being no objection, the excerpt from the report and the explanation of the resolution were ordered to be printed in the RECORD, as follows:

Under the present practice, the Secretary of the Senate makes an annual report, pursuant to sections 60, 61, and 63 of the Revised Statutes of the United States, which sets forth an itemization of all receipts and expenditures of the Senate in chronological order by appropriation and fiscal year of availability. General expense items, as listed, indicate the dates of payment, the dates of obligation, the payees, the items of expenditures, the total amounts paid, the obligating activities, and the authorities under which the obligations were incurred. The Secretary's reports are customarily printed in the month of January and contain a complete record of all vouchers processed by the Senate during the preceding fiscal year. These reports are available within 7 months of the close of the fiscal year involved and are made available as Senate documents.

In the interest of making a more specific and timely disclosure of the names, titles, and salaries received by all individuals employed by the Senate, however, it is the opinion of the Committee on Rules and Administration that the annual report of the Secretary of the Senate should be somewhat expanded to include a specific breakdown of payroll information. It is the further opinion of the committee that the Secretary of the Senate should also compile and make available such information to the public on a quarterly basis not later than 60 days following the close of each quarterly period, beginning with the quarter commencing on July 1, 1959. Section (2) of the committee's original resolution (S. Res. 139) would accomplish the first objective, and section (b) thereof would provide for the quarterly reports.

The committee reached its conclusions after a thorough examination of the issues involved and after careful appraisal of possible methods which could be employed to meet the recognized public interest in the expenditure of Senate funds. The commit-

tee sincerely believes that in recommending its proposal it is cooperating to the fullest extent in making a complete and scrupulous accounting of all the Senate's expenditures.

### STATEMENT BY SENATOR HENNINGS

The resolution will require that the Secretary of the Senate make available to the public, in a printed form, the names, titles, and amounts paid as compensation to each person employed by the Senate during each quarter of the fiscal year within 60 days following the close of each such quarterly period. All employees receiving their compensation from funds disbursed by the Secretary of the Senate will, therefore, be included in the quarterly compilation. This includes employees of the Vice President, Senators, all committees and subcommittees, joint committees, and all other individuals whose compensation is paid by the Secretary of the Senate.

In addition, the compensation paid to each individual employee of the Vice President, Senators, and committees will be included in the annual report of the Secretary of the Senate so that this report will provide the same information regarding these employees as is already provided for all other employees.

The PRESIDING OFFICER. The question is on agreeing to the resolution. [Putting the question.]

Mr. SALTONSTALL. Mr. President, does the language of the resolution as reported mean that each Senator's employees shall be named? The resolution states "paid to each person employed by the Senate."

What does that mean? I should like an explanation of the language.

Mr. ELLENDER. I tried to have that clarified a moment ago. The language reads:

The name, title, and specific amount paid to each person employed by the Senate during the period covered by each such report.

Mr. HENNINGS. What does the Senator from Louisiana say is wrong about that?

Mr. ELLENDER. It is not wrong; but the purpose is to put the names of the employees under the name of each Senator.

Mr. HENNINGS. I did not understand that the Senator from Louisiana was present at the meeting of the Committee on Rules and Administration.

Mr. ELLENDER. No, I was not. I am reading the resolution which was reported by the committee.

Mr. HENNINGS. How can the Senator know the intent when he was not present at the meeting of the committee?

The resolution would require that the Secretary of the Senate make available to the public, in a printed form, the names, titles, and amounts paid as compensation to each person employed by the Senate during each quarter of the fiscal year, and within 60 days following the close of each quarterly period.

I want all Senators to feel free to ask questions, and I shall do the best I can to enlighten the Senate about the resolution.

The resolution includes disclosure of the compensation paid to employees of the Vice President, of Senators, of Senate committees, of subcommittees, and of joint committees, and the compensation of other individuals whose compen-

sation is paid by the Secretary of the Senate.

The report is available. I shall read from the report:

The Secretary's reports are customarily printed in the month of January.

I hold in my hand a volume of a report of the Secretary of the Senate.

The Secretary's reports are customarily printed in the month of January and contain a complete record of all vouchers processed by the Senate during the preceding fiscal year. These reports are available within 7 months of the close of the fiscal year involved and are made available as Senate documents.

In the interest of making a more specific and timely disclosure of the names, titles, and salaries received by all individuals employed by the Senate, however, it is the opinion of the Committee on Rules and Administration that the Annual Report of the Secretary of the Senate should be somewhat expanded to include a specific breakdown of payroll information. It is the further opinion of the committee that the Secretary of the Senate should also compile and make available such information to the public on a quarterly basis not later than 60 days following the close of each quarterly period, beginning with the quarter commencing on July 1, 1959.

Mr. HAYDEN. Mr. President, will the Senator yield?

Mr. HENNINGS. I am glad to yield.

Mr. HAYDEN. At present, the report of the Secretary of the Senate contains the names and salaries of every employee of the Senate, but that report appears only once a year. When we look at the report, we can find, however, the salaries are compiled quarterly by the financial clerk of the Senate. Therefore, we decided to take the quarterly statements and have them printed four times a year in a separate pamphlet which will be available in the Office of the Secretary of the Senate.

But the information which will be contained in the pamphlets to be printed four times a year will be exactly what will appear yearly in the Secretary's reports; there will be no difference. In each instance, the report will contain the names of all persons employed by the Senate.

Mr. HENNINGS. I may make the further observation that the distinguished President pro tempore, the Senator from Arizona [Mr. HAYDEN], suggested at one of our meetings that until 1948 what is being proposed in the resolution had been done for a number of years consecutively.

Mr. HAYDEN. That is correct.

Mr. HENNINGS. Perhaps many Senators were not aware of the fact that their payrolls, containing the names of employees and the amounts paid the staff employees, were available at all times. It was not a matter which had come to our attention.

The PRESIDING OFFICER. The question is on agreeing to the resolution. [Putting the question.]

Mr. LONG. Mr. President, do I understand that the resolution was reported to the Senate only tonight?

Mr. JOHNSON of Texas. It was reported several days ago.

Mr. MANSFIELD. It was reported on Wednesday.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (S. Res. 139) was agreed to, as follows:

*Resolved*, (a) That the Secretary of the Senate shall set forth in his statement of receipts and expenditures of the Senate for the fiscal year July 1, 1959–June 30, 1960, and in each subsequent report (required under sections 60, 61, and 63 of the Revised Statutes of the United States), the name, title, and specific amount paid to each person employed by the Senate during the period covered by each such report.

(b) Commencing with the period July 1, 1959–September 30, 1959, and for each quarterly period thereafter, the Secretary of the Senate shall compile and make available to the public on a quarterly basis the information specified in subsection (a) above. Such quarterly reports shall be made not later than sixty days following the close of each quarterly period.

Mr. DIRKSEN. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. JOHNSON of Texas. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

#### INCREASED LIMITATION ON THE FEDERAL DEBT

Mr. BYRD of Virginia. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a statement by me with respect to the debt limit.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

##### STATEMENT OF SENATOR BYRD OF VIRGINIA

I regret the apparent necessity for the legislation to increase the debt limitation.

It raises the limitation on the Federal debt to \$295 billion temporarily until June 30, 1960, and after that date the permanent debt limitation will be \$285 billion.

Personally I support the bill for only two reasons:

1. I am convinced from the showing made by the fiscal authorities of the Government that a \$295 billion limitation is essential in the coming year for proper and responsible management of the tremendous Federal debt we are carrying; and

2. Because the Secretary of the Treasury has testified before the Senate Finance Committee that he will do all in his power to avoid the necessity of asking for continuation of the \$10 billion temporary limit beyond its expiration date on June 30, 1960.

This is the third request for tremendous increases in the statutory debt limit within 18 months. In this period we have increased the Federal debt limit by \$20 billion—from \$275 billion to \$295 billion.

Federal debt set its all time record May 11. It exceeded the World War II peak by \$7 billion.

Best experts concede that deficit financing in present circumstances is a heavy factor in continuing inflation.

We have reached the point of serious reluctance to invest in the bonds of the U.S. Government.

The fiscal situation deteriorated faster in the past 18 months than in any comparable peacetime period to my knowledge.

In 6 months we moved from estimates of virtually balanced budgets in fiscal years 1958–59 to combined deficits of \$15 billion.

In the process we have been forced to raise the statutory debt limit three times.

At the present rate Federal agencies will spend more than \$400 billion in 5 years.

Contrary to general understanding, recent great increases in Federal spending have not been for defense or foreign aid.

The tremendous increases have been for domestic-civilian programs.

Between 1954 and 1959 expenditures outside of defense, atomic energy, and foreign aid categories increased from \$19.1 billion to \$34 billion estimated in the current year. This is an increase of \$14.9 billion, or 78 percent.

There is terrific pressure in the current session of Congress for enactment of more nonessential spending programs.

Almost invariably these new spending programs involve multiyear or permanent commitments for heavy spending in the future.

Much of the domestic-civilian spending is for subsidies—and by subsidies I mean nearly all kinds of loans, grants and payments out of the Federal Treasury to special beneficiaries.

Many of these subsidy programs are bottomless pits for Federal spending and contribute to sky-high inflation.

The Federal Government of the United States can not now pay its bills except by increasing debt and inflation. Revenue at present tax rates does not meet our commitments.

Interest on the Federal debt is taking approximately one-tenth of all taxes collected.

Chronic inflation has reduced the purchasing power of our money 52 per cent. The American dollar is now worth 48 cents by the 1939 index.

Inflation destroys fixed incomes, provident investment, prudent business, sound financing, national security and democratic government.

More than 20 years of destructive inflation in this country to date have led to continual demands for increased Federal subsidization.

The Federal Government is now subsidizing business, industry, private finance, agriculture, transportation, power, health, education, States, localities, individuals, etc.

By the process of cheapening our money and centralizing power in the Federal Government, we have descended to a level of state socialism which is obvious, if not admitted.

The Federal position alone is bad enough, but it is epidemic. It has spread to State and local governments. It has permeated our whole economy. It has dangerously changed our attitudes—public and private.

Total public expenditures in this country—Federal, State, and local—this year will reach nearly \$150 billion.

Federal, State, and local governments this year will take \$130 billion or more out of the pockets of American taxpayers in revenue receipts from all sources.

In their annual budgets Federal, State, and local governments this year will run deficits totaling \$15 to \$20 billion.

Public debt—Federal, State, and local—this year will approach \$350 billion.

Private debt now runs at more than \$500 billion.

In short, we have nearly a trillion dollars of debt on our backs. That figure is beyond ordinary comprehension.

When individuals become insolvent they take bankruptcy and dispose of their obligations.

When governments become insolvent, their money becomes worthless, and they go through a revolution wringer.

I concede, of course, the necessity for deficits in extreme national emergencies.

For the first 150 years of our history we met our emergencies when they arose. But when they were over we promptly restored sound financing, characterized by balanced budgets, and began paying off the debt.

Under this practice, combined with our wealth and natural resources, this Nation grew great in the short span of a century and a half.

But in our time we have not only continued exploitation of our resources; we have abandoned our traditional policy of fiscal soundness.

We have sapped our strength and undermined our form of government with continual deficit spending, rising debt, and spiraling inflation.

There can be no doubt that we have allowed ourselves to become weak in the fundamental requirement for fiscal soundness.

Development of our great resources through free enterprise democracy is the source of this Nation's strength.

With atomic energy, rocketry, etc., we are entering a new era. Our population is increasing. We have unduly exploited our resources, but they are still tremendous. Our productive know-how and capacity are yet unsurpassed.

These are elements on which free enterprise democracy should thrive soundly, and proceed constructively for the good of all mankind.

Our free enterprise democracy is the greatest system the world has ever evolved. But there is one controlling requirement, and this must never be overlooked. The system is based on solvent government and sound money.

With fiscal soundness I would have no fear for the future—economically or militarily. Without it there will be neither solid economic progress nor security with military preparedness.

We have allowed ourselves to grow weak in the requirement for solvent government and sound money. Assurance of fiscal soundness in the future does not now exist.

Deficit financing has been the rule—not the exception—for more than a quarter of a century.

The Secretary of the Treasury in testifying on this bill has set the objective of bringing the debt down to or under the \$285 billion permanent limitation. This is essential.

To do this will require balanced budgets with surplus. If he is to achieve the objective, he will require firm action by the executive branch and constructive help by Congress in reduction of expenditures with elimination of all of those which are not absolutely essential.

Mr. THURMOND. Mr. President, the Senate today passed the bill raising the permanent debt limit from \$285 billion to \$288 billion, and the temporary debt limit from \$288 billion to \$295 billion. Since there was no yeas-and-nays vote on the bill, I wish to be recorded as being opposed to the passage of the bill.

#### CONSTRUCTION AT MILITARY INSTALLATIONS

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 284, H.R. 5674, the military construction bill. I announce that this bill will be made the unfinished business and that it is expected to have the Senate take it up on Monday.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 5674) to authorize certain construction at military installations, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Armed Services with an amendment.

#### SOVIET RUSSIA POSES A NEW INDUSTRIAL THREAT—ADDRESS BY DR. RAYMOND EWELL, VICE CHANCELLOR, UNIVERSITY OF BUFFALO, BEFORE BUFFALO BUSINESS BREAKFAST CLUB ON FEBRUARY 18, 1959

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a speech by Vice Chancellor Ewell, of the University of Buffalo, on the new industrial threat being made by the Soviet Union against the United States and on Mr. Ewell's recommendations for countering this threat.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

#### SOVIET RUSSIA POSES A NEW INDUSTRIAL THREAT—RUSSIA'S PROGRESS, THE EXTENT OF ITS THREAT, AND WHAT WE MUST DO ABOUT IT

(Dr. Raymond Ewell, vice chancellor of the University of Buffalo, spoke before the Buffalo Business Breakfast Club in Hotel Lafayette on February 18 on the results of his thinking following his recent visit to Russia. His special field of activity at the University is research.)

Most Americans who read newspapers and magazines are now aware (1) that we are engaged in a great struggle with the Soviet Union, (2) that the Soviet Union is growing in industrial and military power, and (3) that our position vis-a-vis the Soviet Union is steadily declining.

However, the vast majority of Americans, at least 99.9 percent, still do not fully realize—

1. That the United States is in by far the greatest peril of its history.
2. That the Communist leaders of Russia really are planning to dominate the whole world, including the United States.
3. That the struggle in which we are now engaged is the climatic struggle of history, which will decide the history of the world for the next few hundred years.
4. That we are up against a completely new social and political force in the world which did not exist 42 years ago.
5. That the Communist threat will probably be the dominant factor in shaping all our lives during the next decade.
6. That this struggle will come to a climax probably in 10 to 15 years.
7. That we are in real danger of losing this struggle.
8. That we have only a few more years of grace before we must gird our loins and begin to fight in earnest.

These are strong statements. But the fact is it is impossible to realize these things unless a person has actually been to Russia. No matter how well-informed a person may be, how many lectures he hears, how many books he reads, it is impossible to understand the Russian situation unless he has actually been to Russia within the past few years. The only way to understand the Russian picture is to go to Russia and feel the throbbing power of that country, see their schools and factories, and above all observe the dynamic character of the Russian people.

The industrial growth of the Soviet Union during the 30 years since they started their first 5-Year Plan in 1928 has been the greatest industrial development of any coun-

try in a like period of time. They have advanced from sixth place in industrial output among the countries of the world in 1928 to third place in 1937 and to second place in 1945. From 1928 to 1958, their overall industrial output increased by 23 times. For example, steel production increased from 4.7 million tons in 1928 to 60 million tons in 1958, electric power from 5 billion to 233 billion kilowatts-hours, coal from 39 million to 546 million tons, cement from 11 million to 195 million barrels, tractors from 1,300 to 220,000.

Today, the largest steel mills and the largest electric powerplants in the world are in the Soviet Union. The Soviet Union is now outproducing the United States in coal, machine tools, railway equipment, timber, iron ore, aluminum ore, nickel, tin, manganese, wool, milk, butter, and sugar. In 3 or 4 years they will be outproducing us in meat, cement, fertilizers, and some other basic products. Their new 7-year plan, which started January 1959 and runs through 1965 calls for 80 percent increase in overall industrial production, for example increasing steel production to 95 million tons, electric power to 500 billion kilowatt-hours, and cement to 440 million barrels.

These are tremendous accomplishments. However, this development would pose no particular threat to the United States if it were not for the fact that this enormous power is in the control of a highly organized ruling class, namely the Communist Party, which is dedicated to the idea of world domination. This is a religious motivation and to be realistic we must look upon communism as a militant religion with all the powerful driving forces which have always been associated with militant religions in history. If it were Switzerland or India or Brazil which was developing this great industrial potential, we would have little cause to be concerned—in fact, we would applaud it as a useful contribution to the world's productive capacity. But when this great power is in the hands of a militant clique bent on unlimited expansion and world domination, every free nation in the world, including the United States, is in peril. As long as the religious fervor of the Communist leaders continues, we will be in great danger, probably increasing from year to year. We cannot count on this religious fervor subsiding for at least a generation and the climax of this struggle seems likely to come before then—probably within 15 years.

Despite the great industrial development in the Soviet Union, its industrial capacity today is still only about 50 percent of the United States. However, its industry has been growing at 10 percent to 15 percent per year since 1945 and appears likely to grow at 7 percent to 9 percent per year during the next 7 years. By comparison, our industrial capacity has been growing at only about 3 percent per year and appears likely to continue at about this same rate. In 1950, the total industrial capacity of the Soviet Union was 25 to 30 percent of that of the United States. In 1958, it had increased to about 50 percent, in 1965 it seems likely to approach 75 percent. In my opinion, this will be a critical point. The Soviets will probably be on a par with the United States in the capacity to carry on a struggle—either a military struggle or an economic struggle—when they have reached about 75 percent of our industrial capacity. The basic reason for this is that Russia is a nonluxury civilization. The 20 to 25 percent of our industrial output which we now put into luxuries is one of our weaknesses in this struggle. The Russians have few luxuries and aren't likely to have many even by 1965. Therefore, they are able to carry on a struggle with less total industrial capacity than we are.

The industrial development of the Soviet Union represents a danger to the United States for three principal reasons:

1. The Soviet Union's industrial development is the basis of their military power.
2. The Soviet Union appears certain to enter the field of international trade as a strong competitor.

3. Greater international trade by the Soviets will inevitably lead to increasing political and cultural ties with many countries, which in turn may lead to political control.

We can expect the Soviets to challenge us with increasing frequency and increasing severity as their industrial power increases. They know that their industrial power at present is not enough to challenge the United States in earnest. They are now playing a cat and mouse game in the Middle East, Formosa, Berlin, etc. These are purely probing operations to see how far we will go. But during the next decade as their industrial power with respect to the United States steadily increases, their challenges will become more and more severe, more and more in earnest. We will need the very highest quality of leadership to deal with these challenges which seem sure to come. The way things appear to be developing now I would expect the real danger to come in the period from 1965 to 1970, for that appears to be the time when their industrial capacity will approach 75 percent of ours. Despite all the talk about missiles, atomic bombs, and nuclear submarines, the real danger lies in the growth of their industrial power.

We have only a few more years of grace, only a few more years of taking life easy, only a few more years of business as usual. Then we will have to gird our loins, jettison many of our luxuries, and get ready to combat the Russian menace in earnest. Our opponent has been on a war basis for 30 years, and we will have to get on a war basis, too, if we want to survive.

The Soviet potential in the field of international trade intensifies this picture. The Soviets have only become active in international trade during the past year or two, except within the Communist group of countries. Heretofore they have not had any surplus of goods they were willing to divert to international trade. Now they have some, and they will have more during the next few years. This may develop very rapidly. For example, in 1958 the Soviet Union exported cars and trucks to 38 different countries. They told me in Russia that they expect to export large quantities of all types of manufactured goods during the next 5 to 10 years—automobiles, trucks, railway equipment, machine tools, electrical, radio and television equipment, typewriters, watches, cameras, chemicals, textiles, etc. The Soviets are in a good position to do this, for they can produce goods more cheaply than we can and they are perfectly capable of meeting any quality standards which may be needed. They have a large, intelligent labor force, the best natural resources in the world, modern industrial plants and technology, plenty of well-trained engineers, and most important of all, a low wage scale. They can probably produce nearly any product at a much lower cost than the United States or any country of Western Europe. At the very least, this development could seriously cut into our present international trade. And we must realize that the Soviet Union is likely to be by far the toughest competitor we have ever come up against in international trade.

In addition to their strong position costwise, the Soviets will have the advantage of a political motivation in their international trade program. They can be expected to enter into international trade with the intention of making a profit whenever possible. This should be quite possible with their low cost position. And they can be expected to do this vigorously and aggres-

sively. However, if they can't make a profit, they will enter into international trade deals anyway for political reasons. In other words, international trade is an instrument of national policy with the Soviets, whereas American industry is just not geared to doing business on a nonprofit basis for political reasons.

It would be my guess that the long-range strategy of the Soviets is to expand their international trade steadily with one country after another, offering as good terms as they have to to get the business. Then will come Soviet businessmen, advisers and technicians by the thousands, as I observed them in India. Closer economic ties lead to closer cultural and political ties. Through this process Russia hopes to wean one country after another to their side, or at least convince them they should be neutral. By this process they might in 10 to 15 years get most of Asia and Africa on their side. In South America, too, the Russians are actively making business deals and the neutralization of South America is not beyond the realm of possibility. If these developments were to materialize, Europe would be effectively neutralized, leaving the United States and Canada back to back as the last stronghold of freedom.

What can be done to counteract this grim picture? First and foremost, we need to develop a national purpose, to decide what we stand for in the world and get out and sell this aggressively to the rest of the world. Second, we need to develop a positive, dynamic, long-range foreign policy to replace the passive, defensive, day-to-day foreign policy we have had since 1945. This will probably mean a greatly expanded foreign aid program, even if it hurts. Third, we should accelerate our military preparedness, even if it hurts. Fourth, for the longer pull we need to invest more money in education and scientific research, again even if it hurts.

This is the most desperate situation which this country has ever faced, but with realistic thinking, hard work, pulling in the belt, and a resurgence of the pioneer spirit which built this Nation, we can survive with honor and freedom.

#### NOMINATION OF HON. BROOKS HAYS TO BE MEMBER OF BOARD OF DIRECTORS, TENNESSEE VALLEY AUTHORITY

Mr. FULBRIGHT. Mr. President, the Senate unanimously approved the nomination of Brooks Hays the day before yesterday as a member of the Board of Directors of the Tennessee Valley Authority. I take this opportunity to express my appreciation to the Senate for this vote of confidence in Mr. Hays.

I think he is admirably qualified for service on the TVA Board. I have come to know him well through the years of our friendship—we have known each other since our school days at the University of Arkansas—and I have great confidence in his ability. He has long been interested in the field of conservation and flood control, and worked diligently while a Member of the House of Representatives to enact legislation on these matters of such vital importance to our country. He will bring to this position a wealth of experience, an intelligence of the job to be done, and the ability to do it.

As my colleagues of the Senate know, Brooks Hays has made many contributions to his State and to his country. I am glad he has been given this opportunity for further service.

#### ADDRESS BY HON. WALTER S. ROBERTSON AT SWEET BRIAR COLLEGE, VIRGINIA

Mr. BYRD of Virginia. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a remarkably fine speech made by the Honorable Walter S. Robertson, Assistant Secretary of State for Far Eastern Affairs, at Sweet Briar College on June 1, 1959.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

COMMENCEMENT ADDRESS BY THE HONORABLE WALTER S. ROBERTSON, ASSISTANT SECRETARY OF STATE FOR FAR EASTERN AFFAIRS, AT SWEET BRIAR COLLEGE, VIRGINIA, JUNE 1, 1959

President Pannell, members of the faculty, graduates of the class of 1959, distinguished guest, ladies, and gentlemen, I was very flattered to receive the invitation to be your commencement speaker today. Sweet Briar is a name to lure all Virginia males whether he be a romantic from a nearby college, an oldster fostering nostalgic memories of his youth and this campus, a fond father of a Sweet Briar product, or just the ordinary run-of-the-mine Virginian who even though he be devoid of Sweet Briar romance, memories or parenthood takes great pride and gratification in the stream of beauty, charm and culture which flows from these walls to the social and intellectual enrichment of his State.

In this mood it may appear somewhat inappropriate for me now to address you on a subject deeply concerned with the hard realities of a world which seems completely removed from this lovely, peaceful scene. I do so only because there is no escaping the necessity of facing up to the world as it is if the values which make such scenes as this possible are to be preserved.

You of the class of 1959 have doubtless sought to appraise what kind of an adult world you are entering today as graduates. It is, then, perhaps appropriate to recall what Charles Dickens, in what is perhaps his most frequently quoted passage, said of a period almost 200 years ago: "It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness \* \* \*, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us." It was, he concluded, a period very like the one in which he was then living 100 years later.

In the face of Dickens' assertion that all ages are alike in combining the best good and the worst evil, the brightest promises and the direst threats, and that each age thinks itself unique in such a paradox, one hesitates to claim this character especially for one's own. Yet Dickens himself, as much as anyone, would surely be overawed by the extremity of the alternatives that confront us in the middle of the 20th century. Scientific discovery and invention are continually opening up new possibilities and they are doing so at a rate of progress that is constantly accelerating. Each year we see ever greater possibilities more clearly before us.

On the one hand, we can perceive ahead of us an age of plenty in which poverty and disease will finally have been conquered; we shall have come to control our environment, our horizons shall have been extended deep into the heart of matter and far out into space. On the other hand, we can perceive as an equally plausible possibility the destruction of civilization—conceivably life itself—by atomic devastation and the poisoning of the atmosphere or, if that is avoided,





Public Law 86-74  
86th Congress, H. R. 7749  
June 30, 1959

AN ACT

To increase the amount of obligations, issued under the Second Liberty Bond Act, which may be outstanding at any one time.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the first sentence of section 21 of the Second Liberty Bond Act, as amended (31 U.S.C., sec. 757b), is amended to read as follows: "The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate \$285,000,000,000 outstanding at any one time."

Public Debt  
Act of 1959.

72 Stat. 1758.

73 Stat. 156.

73 Stat. 157.

SEC. 2. During the period beginning on July 1, 1959, and ending on June 30, 1960, the public debt limit set forth in the first sentence of section 21 of the Second Liberty Bond Act, as amended, shall be temporarily increased by \$10,000,000,000.

SEC. 3. This Act may be cited as the "Public Debt Act of 1959".

Short title.

Approved June 30, 1959.





